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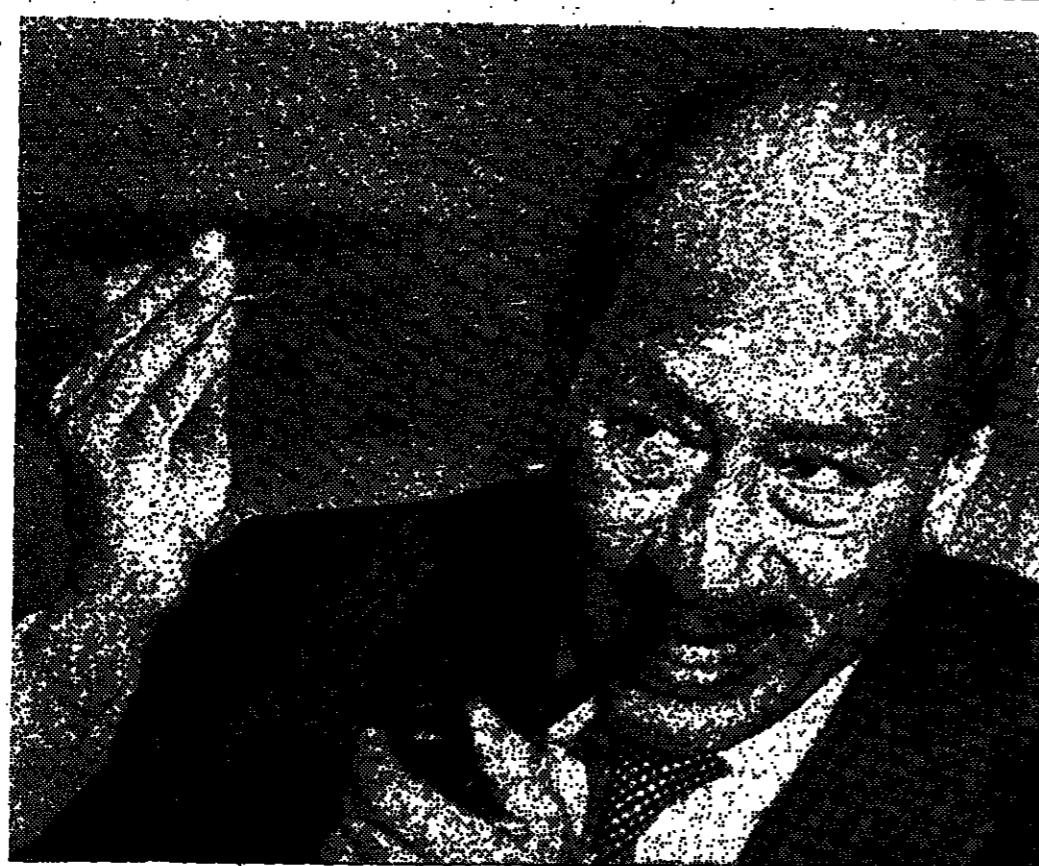
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Established 1887

Peace is much more
precious than
a piece of land...



Sadat Asks Carter to Be Fair in Begin Talks

By James Reston

Cairo, March 9 (UPI)—President Anwar Sadat, sounding vaguely apprehensive about next week's Washington meeting with President Carter and Prime Minister Menachem Begin of Israel, said yesterday that he thought the "time has come" for Carter to state his terms for breaking the diplomatic stalemate in the Middle East. The Egyptian leader said in interview at his residence in a suburb of Cairo, that in view, the United States would now take a "risk" on its possibility of a "partner and a mediator" in the negotiations and he defined his idea of the U.S. President's responsibility.

My definition is this: Peace much more precious than a piece of land... I should like President Carter to apply what has already declared in the 1 of human rights and the acquisition of others' land force. This is a moral issue. should like him also to tell the Israeli that in the 1 of security... we have a also of security, because

With Human-Rights Ideals Applied

the United States has provided Israel with the most sophisticated arsenal on earth, in the field of traditional arms."

Mr. Sadat also talked of his differences with Mr. Begin of his dramatic diplomatic tactics and his philosophy of peace, of his threats of resignation and his fears about the Soviet Union's military intrusion in Africa. But he was careful to avoid any threats about breaking off the Middle East negotiations, and he insisted that Israel and the Arab nations must live together as neighbors and that the "peace process" must be "eternal."

Personal Exchange. He said that after it had become clear that Assistant Secretary of State Alfred Atherton's peace mission had not made progress, he communicated with Mr. Begin in the hope of persuading him that they should make a new effort to reconcile their approaches to the problem. But he would not elaborate on this "personal" exchange, which he clearly has hoped would

change Mr. Begin's mind before the Israeli leader's arrival in Washington. All he would say was that Mr. Begin has rejected his entreaties, and he would reply to Mr. Begin's answer within the next few days.

There was a strong indication in the interview that Mr. Sadat—despite his expressed determination not to "let down" the people at home and abroad who have supported his peace effort—has been deeply disappointed and even irritated by Mr. Begin's tactics.

He said he would have "understood" if Mr. Begin had refused to accept him in Jerusalem on the ground that more time was needed to prepare for such a diplomatic switch. But he said that Mr. Begin had misled the public on his (Mr. Sadat's) policy on the Sinai "passes," on the Israeli "settlements" and on Mr. Sadat's promise not to permit Egyptian forces to go beyond the "passes."

The Egyptian also complained that a great opportunity was being lost in not proceeding with this diplomatic opportunity.

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From Occupied Arab Lands

Carter Reasserts Need for an Israeli Pullout

WASHINGTON, March 9

President Carter said that a failure by Israel to go along with a UN resolution for the return of occupied territories would "be a blow to the prospects of a reversal of what we are trying to do" in the East.

He said that the United

asks Pentagon for \$1 billion in arms over eight years. Page 2.

makes a mediator in the conflict and that he "intention" of pressuring the Minister Menachem who will arrive here for consultations. In his decision to sell to Saudi Arabia and as well as to Israel, the said that the deal is the military balance that exists in the East."

Mr. Carter said that within the United States his administration has made—and will continue to make—a "concerted effort" to present its views and to receive the views of other groups. He called it an "essential" element in his Middle East policy.

He said that the White House decision to sell aircraft to the Egyptians was made because

"they have cast their lot with us" and "severed" their dependence on the Soviet Union for the supply of weapons.

The President also said that:

• The United States will honor completely its commitments to Israel as to that country's security.

He notes that the UN resolution having a special interest in the Middle East—Arab as well as Jewish organizations.

Mr. Carter said that despite the resignation of Mark Siegel as the presidential aide for liaison with U.S. Jewish groups, the White House had no intention of ending its efforts to seek a policy rapport with U.S. residents having a special interest in the Middle East—Arab as well as Jewish organizations.

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He was expected to go on to New York for the UN Security Council debate on Rhodesia, and to try to arrange a meeting between opposing black Rhodesian leaders.

Instead he rushed back to report to a Cabinet meeting that there was complete accord "at the highest level" between Britain and the United States over what to do next on Rhodesia.

"[But] the United States is not prepared to pre-judge this issue on the basis of the one-sided propagandistic arguments presented in support of the Soviet proposal," he said.

Mr. Fisher argued in favor of the neutron weapon because of the three-to-one Soviet Bloc advantage in tanks in Europe—an advantage which exists without even taking into account the very large number of tanks that could be brought from the Soviet Union on short notice.

He said that the enhanced radiation, reduced-blast neutron bombs would kill tank crews, but cause far less collateral blast and heat damage than existing tactical nuclear weapons.

Mr. Fisher said that the Soviet Union and its allies, in de-

ments asking them to renounce the weapon.

Mr. Fisher said that the United States and its allies are currently deliberating possible deployment of the bomb.

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\$12.5 Billion in Next 8 Years

Weizman Asks U.S. for More Arms

By George C. Wilson

WASHINGTON, March 9 (WP).—Israeli Defense Minister Ezer Weizman yesterday pressed his country's case for an additional \$12.5 billion in U.S. arms, but he won no commitment from Defense Secretary Harold Brown.

Pentagon officials said that Mr. Brown heard Mr. Weizman out on subjects ranging from Arab-

over the current U.S. arms flow to Israel.

Carter administration officials believe that the plan overstates Israel's military needs. Mr. Brown told a House Budget subcommittee last week that "Israel remains able through 1983 or 1985, which is as far ahead as you can project, to defeat any combination of the Arab countries."

The context for Mr. Brown's assessment was what would happen if the administration's proposed aircraft package for the Mideast were approved by Congress. That package calls for selling 75 F-16 and 15 F-15 fighter-bombers to Israel, 75 F-5E fighters to Egypt and 60 F-16s to Saudi Arabia.

Mr. Weizman started his day at the Pentagon by receiving a 19-gun salute and reviewing an honor-guard. Then he and his aides lunched with Mr. Brown in the secretary's dining room. In the ensuing talk, which extended through a dinner at the Pentagon, Mr. Brown emphasized the administration's interest "in a high degree of military security for Israel," according to Thomas Ross, a Pentagon spokesman.

But from Mr. Brown's standpoint, defense officials said, the sessions with Mr. Weizman were "largely listening." There were no decisions, no commitments made."

Asked about the charge that he was always talking about the "spirit of peace" and the "objectives" of Arab-Israeli relations but always seemed to avoid the tedious and precise negotiations that might eventually lead to a durable peace, he replied:

"Deliberately Misunderstood"

"Not at all. This is also deliberately misunderstood. When we came to the negotiating process, I said, let us agree on the general lines that will guard our way in the peace process. I didn't say that they should evacuate the land before everything was solved, not at all. I said that Israel should declare that they are ready to return the land that has been occupied after '67, provided that every party should sit with their right to discuss the security issue, because I recognize that there is a security issue for Israel that should be met."

Mr. Sadat wondered about the effectiveness of Washington's response to the Soviet-Cuban intrusion into Africa. He recalled that he had warned the Carter administration last April that Communist aid to Angola was just the beginning of a Soviet threat in Ethiopia. No one believed him, he said, but the threat was now real, not only to Somalia but to the Sudan, which in turn would be a threat to Egypt if the Communists moved there. He also mentioned vaguely that Moscow was showing some interest in Chad, and, he said, that he had received an "ultimatum" from the Russians not to interfere with Moscow's "African policy."

"Again, not surprisingly, the Soviet proposal had nothing to say about another new weapons system of devastating capability now being deployed in the European theater: The powerful, nuclear-capable supersonic 'Backfire bomber,'" Mr. Fisher said.

By demanding a neutron-bomb ban, he added, Moscow is conducting a propaganda campaign which focuses on only one aspect of the East-West confrontation.

Pretender Ends Feud With Spanish Throne

MADRID, March 9 (Reuters).—King Juan Carlos and a pretender to the Spanish throne, Prince Carlos Hugo de Borbon, met Tuesday, ending a 150-year-old dynastic feud that provoked three civil wars.

The prince, who was allowed to return from exile in October, had a private audience with the King, a distant cousin, and said afterward: "It was very cordial and I am very satisfied." Prince Carlos Hugo recently said that he no longer had ambitions to occupy the throne.

Arafat Sees Brezhnev

MOSCOW, March 9 (AP).—Soviet President Leonid Brezhnev met today at the Kremlin with Yasir Arafat, head of the Palestine Liberation Organization. This reported.

200 Bhutto Supporters Are Reported Held

ISLAMABAD, Pakistan, March 9 (AP).—More than 200 supporters of the Pakistani Peoples party of deposed Prime Minister Zulfikar Ali Bhutto have been arrested in Lahore. It was reported today.

The government accused the detainees of planning disturbances when the verdict is announced in Mr. Bhutto's trial on a murder charge. Mr. Bhutto is accused of ordering the slaying of a political opponent. A verdict in his trial is expected in a week.

Ceausescu Shuffles Romanian Cabinet

BUCHAREST, March 9 (UPI).—President Nicolae Ceausescu Tuesday ordered a thorough reorganization of his Cabinet, promoting Ilie Verdet, a possible successor, and shifting or dropping more than a dozen others, the official news agency, Agerpres, reported.

Mr. Verdet, previously secretary of the Communist party's Central Committee, was named to the new office of his first deputy premier. He was also given the powerful position of chairman of the State Planning Committee.

Moroccan in Moscow

MOSCOW, March 9 (AP).—Moroccan Premier Ahmed Omani arrived today for what was described as a working visit. He was accompanied by Morocco's ministers of trade and industry, energy and geological prospecting, and phosphate production.



DOMINO THEORY—When one car hit another in the fog on the superhighway north of Paris yesterday, a third one joined the fracas, a fourth couldn't stop, and so on, until 40 vehicles were involved—and 20 persons hurt, 13 of them in serious condition.

Owen Reports U.S. in Accord On Rhodesia; Returns Home

(Continued from Page 1)

providing for a handover to black-majority rule by Dec. 31.

Earlier, in Washington, Mr. Vance and Mr. Owen agreed that the Salisbury plan represented "a significant step" toward majority rule in Rhodesia and contained "significant similarities" to the U.S.-British proposed launched last August.

But in a meeting with reporters at the State Department during a break in the discussions of the Rhodesian problem, Mr. Vance answered with a flat "no" when asked if the Salisbury plan was "constructive enough" to warrant the lifting of U.S. sanctions against Rhodesia.

In a joint statement issued after his meeting with Mr. Vance, Mr. Owen said: "There was full agreement that the two governments will jointly continue their efforts to facilitate a settlement among all the parties in accordance with the principles the two governments have previously put forward."

These, he said, were "free and fair elections, a transition to majority rule and independence, and respect for the individual rights of all the citizens of an independent Zimbabwe."

Before his sessions with Mr. Vance, Mr. Vance met yesterday with Bishop Abel Muzorewa, one of the three black leaders who signed the Salisbury agreement.

Bishop Muzorewa said his talks with Mr. Vance had been "very useful" but it was obvious that Mr. Vance had declined to endorse the Salisbury agreement. He told reporters only that Bishop Muzorewa "was able to clarify one of two points."

"I think there is a great deal that remains unclear about what is involved in that proposal," Mr. Vance told reporters. "There are a number of things which have not been decided with regard to the transitional arrangements."

Talks Delayed

WASHINGTON, March 9 (AP).—Because of a conflict with their schedules, two Rhodesian guerrilla leaders today canceled a meeting with Mr. Vance on broad-

Callaghan to Visit Bonn

LONDON, March 9 (UPI).—Prime Minister James Callaghan will go to Bonn Sunday for talks with West German Chancellor Helmut Schmidt.

18,000 Believed Affected

Food Airlift Aids Stranded Arizona Navajos

By Charles Hillinger

KA KAI LACHES, Ariz., March 9.—Marie Day, an 83-year-old sheepherder, had trouble getting home Tuesday.

Mrs. Day, a widow, is one of an estimated 18,000 Navajos stranded by mud that covers thousands of square miles of the nation's largest Indian reservation.

The red soil had been saturated by incessant rain, sleet and snow for more than a week.

Hundreds of miles of dirt roads on the reservation are solid mud—four to eight feet deep. Nothing moves on the roads, not even vehicles with caterpillar treads.

By Foot, Horseback

The only movement is by foot or on horseback through thick pine and scrub oak forests. Thousands of Indians have been stranded for as long as 10 days. An Indian official called the situation the worst disaster to hit the Navajo in 10 years.

Military helicopters from three states are carrying tons of food, coal, livestock feed and medical supplies to the Indians stranded in Arizona and New Mexico.

Mrs. Day explained how she had left her Hogan and 35 sheep on Monday and walked out for help. "My sheep had no food. There was no food left for me. I had to go," she said.

She walked five miles, wading through mud one to two feet deep, finally coming to a paved

road where she halled a truck.

She was driven to Window Rock, capital of the Navajo nation.

At Window Rock Airport Tuesday, Mrs. Day boarded an Army CH-47 Chinook helicopter to go home to her hungry sheep.

The copter was loaded with 110 burlap sacks, each filled with 65 pounds of food, and with bales of hay for cattle and sheep to be airdropped to the Indians.

Mrs. Day's Hogan, 30 miles southwest of Window Rock by dirt road, was to be the first stop on an all-day mission of flights. It was also her first flight.

She sat stoically in the cabin of the Chinook. But about five miles from her home, hydraulic fluid suddenly began to pour from the ceiling of the Chinook, forcing the helicopter to land in a meadow.

It left Mrs. Day with the dilemma of staying in a nearby Hogan or walking the remaining five miles home. The crew of the Chinook helicopter was flown out by an Arizona National Guard helicopter.

A dozen helicopters flown by the Army from Fort Carson, Colo., the New Mexico National Guard and the Arizona National Guard flew supplies to the Indians Tuesday.

So far, nearly 50 tons of food, more than 4,500 bales of hay and several tons of coal have been airdropped.

Aboard the helicopters are

members of the Navajo Indian police force, to guide the pilots and serve as interpreters.

"Very few of the people stranded speak English," said Navajo policeman Edward Cadman.

"When the helicopter lands we Navajo police talk to the people to see what they need, to learn what their problems are."

The helicopter flights began late Saturday. They are expected to continue at least through this weekend.

Navajo Police Chief Phillip Neek said that it may take two or three weeks to get into some of the areas by road. "The road conditions are horrendous. There is no way to get to the stranded people except by air," Mr. Neek said.

No Electricity

The people imprisoned by the mud live in areas without electricity, without telephones. We have been flying out men, women and children suffering from exposure from flu from injuries.

Sam Pete, executive administrator of the Navajo nation, called it the Indians' worst disaster since the snowstorm of 1968.

"We still have a long way to go to contact all the people back in these isolated areas. So far we haven't run across anyone suffering from malnutrition, but many of the people haven't eaten for several days; some say they have had very little to eat for the past week."

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In Contrast to Schmidt Comment U.S. Fiscal 'Amateurism' Is Decried

By Michael Getler

BONN, March 9 (UPI).—While Chancellor Helmut Schmidt was telling parliament today that there was widespread agreement in U.S. and German policies and that published reports to the contrary were wrong, the leaders of the German Industry and Trade Council was saying elsewhere that "complete amateurism" was now in full bloom in U.S. economic and monetary policy.

The contrast in the two speeches illustrates the dilemma that is confronting West Germany in its dealings with the United States, especially on economic matters and particularly on the steady and rapid decline in value of the dollar overseas, which makes German goods much more expensive in the United States.

Government leaders in Bonn

and Washington have been trying to patch up, at least publicly, their lingering quarrel over economic affairs before it spills over into a worsening of general relations that neither of the two sides wants.

But nothing is happening to stem the dollar's decline and alleviate the fears in German industry and government which contribute to the antagonisms.

The Chancellor's nationally televised speech today was to have been the annual assessment of relations with East Germany.

Departure From Text

But concern over the state of U.S. relations was apparently great enough to cause Mr. Schmidt to deviate from his original text and devote a large part of his talk at the outset to relations with Washington.

The Chancellor said that German-U.S. friendship rested on "human ties and a far-reaching identity of political and social values that cannot be changed by temporary variations in currency exchange rates."

He said that he shared, "without any doubt, the opinion of President Carter that the dollar was currently undervalued," that he was "optimistic that the United States would succeed in stabilizing international confidence" in the dollar and that adoption by Congress of the energy program would help in this respect.

To underline the attempt to patch things up, a spokesman for Mr. Schmidt disclosed that President Carter telephoned the Chancellor today to talk over world affairs and to relay his full agreement with the views on U.S.-German relations expressed by Mr. Schmidt in recent days.

The phone call also was symbolic of the attempt to put a positive face on things because it is more reflective of a better personal relationship between the two leaders who had, during the last several months, when personal as well as official relations soured in many areas, lapsed into sending letters.

Mr. Schmidt today expanded on points he had made in a curious speech on U.S. relations last week that went virtually unnoticed here because it was given on a Friday night in Hamburg to an East Asian society in the midst of a German newspaper strike.

In its latest battlefield communiqué issued today, Ethiopia said: "Somali invading forces are retreating from Ethiopian territory and in many strategic areas, which were temporarily under enemy control, the enemy has been expelled... and the Ethiopian flag hoisted."

Following the fall of Jijiga Sunday, Ethiopia said that two tank columns raced deep into the southern Ogaden, capturing the towns of Degubur and Piso, 100 miles respectively to the southeast and southwest of Jijiga.

Until its reported capture, first announced yesterday, Degubur was the major staging depot for Somali supplies to the Ogaden. Its capture would represent another major Somali setback following the fall of Jijiga.

The Ethiopians say that they have now retaken a quarter of the Ogaden region.

"Nobody who really knows the Federal Republic of Germany, and certainly no one of us, would share such a judgment unless he intends to do some damage."

Several hours earlier, industrialist Otto Wolff von Amerongen told a business council gathering in Cologne exactly what the Bonn government has been trying to keep out of official dialogue.

Mr. Amerongen is a powerful

Doctors Report Flynt Paralyzed by Bullet

ATLANTA, March 9 (AP).—

The owner of Hustler magazine, Larry Flynt, is paralyzed from the hips down as a result of being shot and has less than a 50-per-cent chance of regaining movement, doctors at Emory University Hospital said today.

"There are no reflexes in the lower extremities and there is a loss of sensation from his mid-thighs down," said Dr. George Tindall, the hospital's chief neurosurgeon, who removed a bullet and bone chips from Mr. Flynt's back today.

The people imprisoned by the mud live in areas without electricity, without telephones. We have been flying out men, women and children suffering from exposure from flu from injuries.

Sam Pete, executive administrator of the Navajo nation, called it the Indians' worst disaster since the snowstorm of 1968.

"We still have a long way to go to contact all the people back in these isolated areas. So far we haven't run across anyone suffering from malnutrition, but many of the people haven't eaten for several days; some say they have had very little to eat for the past week."

Initial theories that the theft of the coffin might have been the work of extortions seem unlikely because no ransom demand has been received, investigators said.

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Police Hunt Continues

For Chaplin's Coffin

CORONER - SUR - VEVEY, Switzerland, March 9 (AP).—A search throughout Europe for the body of Charlie Chaplin has been unsuccessful and Swiss investigators said today they are puzzled over the theft from the cemetery here a week ago.

The world's No. 1 Scotch whisky

© Los Angeles Times

Allies in Paris Regime Attack Leftists in Pre-Election Drive

PARIS, March 9 (UPI).—Prime Minister Raymond Barre and allies in the center-right coalition government today launched an 11-hour attack in an attempt to quell the leftist threat in two stage legislative elections that will be held Sunday and be concluded a week later.

"If the left wins these elections, it will lead to social and political tensions in the nation," Mr. Barre said in an interview with the independent station Radio Luxembourg.

"We all know well enough that the Socialists and Communists are far from total agreement among themselves," he said.

Rift Continues

Talks aimed at updating the left's "Common Program" for government broke down last September, with the Socialists and independent Leftist Radical Movement rejecting Communist demands for sweeping nationalizations.

Asks Back-to-Work Order**President Believes Miners Will Obey Court Injunction**

WASHINGTON, March 9 (AP).—President Carter said today that he expects coal miners and operators to obey the law, and he told Attorney General Griffin Bell to take command of federal enforcement of an anticipated back-to-work order.

Mr. Carter told a news conference that he believes a federal court order under the Taft-Hartley Act will be observed. "I have absolutely no plans to seek congressional action to authorize seizure of the coal mines," he said.

Mr. Carter spoke as government lawyers prepared their arguments for a Taft-Hartley injunction. He said that he also has asked Secretary of Labor Ray Marshall to enlist the labor experts who studied the strike to go into the coalfields and urge the miners to return to their jobs.

Law-Abiding Citizens

Asked what he would do if the miners defied a Taft-Hartley injunction, Mr. Carter said that the order would prevent interference

with resumed mining. "I believe the coal miners to be law-abiding and patriotic citizens," he said, "and I believe that a substantial portion of them, an adequate portion of them, will obey the law."

He also said that even with the strike, coal production is about 60 per cent of its normal level, so if a moderate number of miners go back to work an energy crisis can be avoided.

Justice Department lawyers, acting under the Taft-Hartley Act, asked the U.S. District Court in Washington to order members of the striking United Mine Workers union back to work immediately.

The government also asked for a court order directing coal companies to reopen the mines, idle since the strike began on Dec. 6.

The request was assigned to Judge Anthony Robinson, one of the 12 federal judges who preside in the district. The judge was expected to set a hearing to decide whether to grant the government's request for an injunction.

The government petition asks that the order be directed at 1,450 union entities, coal companies and individuals who were named in the court papers.

Officials said that Mr. Bell planned to be in court when government attorneys argued their case.

Mr. Bell said, "I believe that the miners will obey the law and this includes court orders. I also have every confidence that law enforcement officers in the states concerned will provide adequate and effective protection for those miners returning to work. We are a nation committed to law."

Under the Taft-Hartley Act, Mr. Robinson can order the miners back to work for 90 days and direct both sides to resume good-faith bargaining. Failure to comply could result in fines or prison for contempt of court.

Defiance Expected

Leaders of the 160,000 striking miners and government officials expect widespread defiance of a back-to-work order.

President Carter directed Mr. Bell to seek the order after he received a report on the strike from a board of inquiry that he had created under the Taft-Hartley Act.

The board's report, delivered to the White House earlier today, said that the strike had "reached alarming proportions." The three-member board said, "Already thousands of workers in other industries have been laid off or placed on reduced work schedules and this can only accelerate."

In National Interest

"It is imperative, in the national interest, that the parties find a basis for resolution of the strike as expeditiously as possible," it said.

U.S. Turned Down Arms Requests Of 67 Countries

WASHINGTON, March 9 (AP).—The Carter administration turned down more than \$1 billion worth of arms-purchase requests last year from 67 countries, it was disclosed yesterday.

Rep. Clement Zablocki, D., Wis., chairman of the House International Relations Committee, made the disclosure at a subcommittee hearing on U.S. arms sales. But he refused to name the countries involved, saying that the information is classified.

The government does not normally announce its rejections of foreign arms requests because such announcements could be embarrassing to the prospective buyer.

But some rejections have become known, such as the administration's refusal to sell Pakistan more than 100 A-7 jets or to let Israel buy cluster bombs.

Rep. Zablocki said that the United States has an "ongoing military supply relationship" with 48 of the 67 unnamed countries.

4 European Stops Sought by Braniff

DALLAS, March 9 (UPI).—Braniff Airways asked the Civil Aeronautics Board yesterday for emergency permission to fly from Dallas-Fort Worth Airport to four European cities to make up for lost revenue on its stalled London route.

In requesting emergency permission to fly to the alternative destinations—Paris, Frankfurt, Amsterdam and Madrid—Braniff said that it would propose rates based on the low fares planned for the London flight.

Meanwhile, in London, British Caledonian Airways announced today that it was seeking a London-Los Angeles air fare of £29 (6134.55) one way.

Power Blackout Hits San Diego Residents

SAN DIEGO, March 9 (AP).—A circuit breaker which overloaded on a surge of 138,000 volts cut power to nearly 12 million San Diego County residents, San Diego Gas and Electric Co. spokesman said. It was the area's biggest blackout.

The power was off for just under 4 1/2 hours throughout the area and for several hours longer in some outlying regions, a company spokesman said.

Two-Man Submarine Trapped in North Sea

LERWICK, Shetland Islands, Scotland, March 9 (AP).—A two-man submarine engaged in North Sea oil operations became snagged in a wire and trapped at a depth of nearly 300 feet today, operators said.

The F and O Steam Aviation Co., which is operating the vessel for the U.S. Conoco oil concern, said that it was trapped shortly after noon. "The two men aboard have enough oxygen and food to last eight days," a company spokesman said.

Turkish Student Killed

ANKARA, March 9 (AP).—A student was killed and two were wounded at a local high school here today when a group of gunmen fired on youngsters standing around the school yard, police said. The gunmen escaped.



FLYING OUT—An airliner taking off from Phoenix, Ariz., airport despite huge hunks of concrete on the main runway. Repairs to runway and taxiway, caused by last week's floods, are expected to cost \$4 million before the airfield is clear.

Gives No Evidence**Author Insists Human Cloning Was Done**

By Harold M. Schmeck Jr.

NEW YORK, March 9 (NYT).—

The author who said that he helped arrange the first cloning of a human being insisted yesterday, in his most extensive comments on the matter, that the reproduction was really accomplished. But he still offered no corroborative evidence to support the assertion.

Mr. Bell said, "I believe that the miners will obey the law and this includes court orders. I also have every confidence that law enforcement officers in the states concerned will provide adequate and effective protection for those miners returning to work. We are a nation committed to law."

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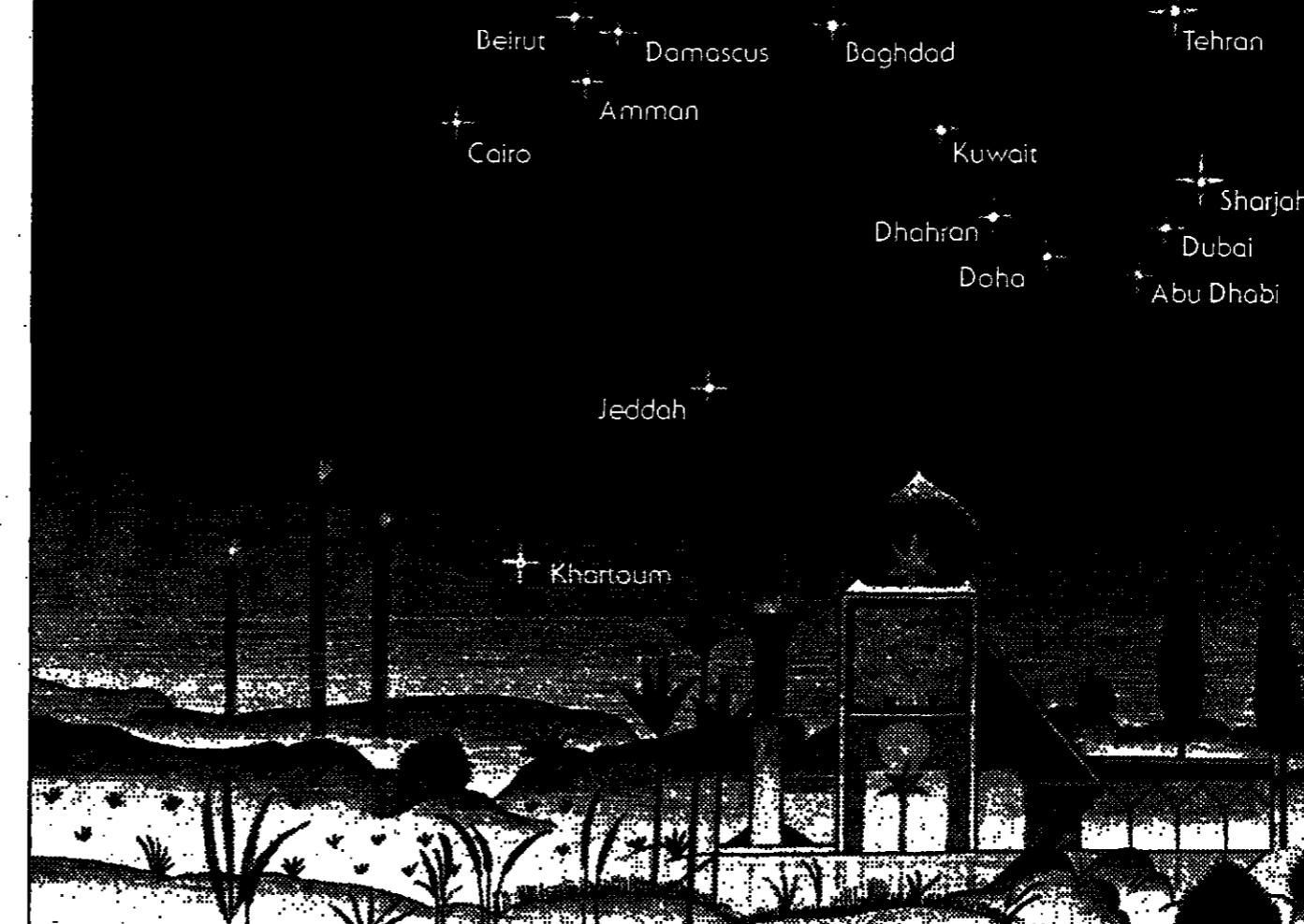
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Yugoslav Ends U.S. Visit**Carter, Tito Condemn Africa Racism**

WASHINGTON, March 9 (UPI).—President Carter and Yugoslav President Tito condemned racism in southern Africa today and made veiled criticism of Soviet and Cuban intervention in the Horn of Africa.

Both referred to the importance of the forthcoming special UN session on disarmament, which Marshal Tito reportedly will attend when it meets in May.

Marshal Tito, 85, met with Mr. Carter for the second time this week as he ended a three-day visit to the United States.

Following the 90-minute White House meeting, they issued a joint communiqué which:

• Emphasized the need for a peaceful solution to the Ethiopia-Somalia conflict without further outside interference. It did not directly mention that about 13,000 Cuban and Russian military advisers are helping Ethiopia.

• Called for self-determination and majority rule in Southern Africa. They "condemned racism in all forms."

• Expressed "special concern" over continued tensions in the Middle East and agreed on the "urgent need to find a comprehensive, just and lasting solution."

• Territorial integrity.

On Ethiopia and Somalia, the communiqué said, Mr. Carter and Marshal Tito "expressed their belief that the international community should exert greater efforts for securing conditions to maintain the territorial integrity, independence and nonaligned position of these two countries."

The two leaders pledged to increase U.S.-Yugoslav contacts on matters of trade, investment, cooperation in solving international economic problems, combatting international terrorism, disarmament and avoiding nuclear proliferation.

They expressed the need to widen detente and underscored

UN Rights Unit Delays

GENEVA, March 9 (Reuters).—The UN's 23-member Human Rights Commission last night put off for a year a decision on appointing a UN commissioner for human rights.

St. Patrick's Parade Postponed in Boston

BOSTON, March 9 (UPI).—The accumulation of snow from this winter's severe storms has forced the postponement of the annual St. Patrick's Day parade through South Boston.

The parade, originally scheduled for March 19, has been tentatively rescheduled for April 2.

A city spokesman said the main parade route up Broadway would be clear enough for a parade by March 19, but not side streets.

Brazil Crash Kills 19

SAO PAULO, Brazil, March 9 (UPI).—A bus collided with a heavy truck near here early today, killing 19 persons and injuring 5, it was reported.

But People Seem Indifferent

Vote Struggle Goes On in Guatemala

By Alan Riding

GUATEMALA CITY, March 9 (UPI).—A power struggle has erupted among conservative military and civilian groups here over the results of the presidential elections last Sunday, although most Guatemalans seem surprisingly indifferent about the outcome.

Offered a choice between three military candidates and apparently still disillusioned by a blatant electoral fraud four years ago, almost 60 per cent of the registered voters abstained while 20 per

cent ruined their ballots to protest the exclusion of a leftist party from the elections.

But political tensions have risen as repeated delays in the announcement of final results have provoked charges of fraud by the three candidates. All have vowed to "defend" their victory.

Offices Seized

One, Col. Enrique Peralta Azurduy of the National Liberation Movement, temporarily seized the offices of the electoral council Tuesday with 250 armed supporters to press his claim to victory.

Yesterday, the council was protected by soldiers and policemen.

Amid the confusion, Gen. Romeo Lucas Garcia, nominated by a centrist coalition, appeared yesterday to be winning. After a second recount, the electoral council announced at noon that with about three-quarters of the vote counted, Gen. Lucas had 175,287 votes, Col. Peralta Azurduy 163,068 and Gen. Ricardo Peralta Menéndez of the Christian Democratic party 124,053.

Since no candidate has won 50 per cent of the votes, the successor to President Kjell Laugerud Garda will be formally chosen by Congress. In past elections it has always endorsed the candidate with the most votes.

1974 Fraud

Unlike the 1974 elections, when the government resorted to fraud to insure Gen. Laugerud's victory over a popular leftist candidate, Gen. Estrada Rios Montt, there so far has been no evidence of large-scale ballot-rigging. Rather, the current political crisis appears to reflect the deep division in the conservative military and civilian groups that brought Gen. Laugerud to power.

The general's running mate, Mario Sandoval Alarcón of the National Liberation Movement, arranged the fraud in 1974 with the support of the army. But since then, the President has moved both the government and army toward the political center, isolating and alienating Mr. Sandoval, who decided to run his own rightist candidate in Sunday's election.

Crossant Trial

The trial of West German lawyer Klaus Crossant, extradited from France to face charges of conspiring with terrorist clients, began today in Stuttgart but was adjourned until Tuesday after the defense objected to courtroom security.

Mr. Crossant's six attorneys objected to requirements that they be stripped and searched and that they open their briefcases before entering the courtroom.

Judge Helmut Schiebel said that he will allow his underwear to be searched for weapons and ordered the prosecution to submit to similar searches, the United Press International reported. He extended the searches to the court and to the prosecution, he said, to avoid any hint of discrimination.

Mr. Crossant is charged with aiding a criminal organization, using his position as a defense counsel to smuggle contraband to jailed members of the Beader-Meinhol terrorist group and providing a courier service between members of the gang and comrades outside prison.

Lawyers Refused

The 15 have refused to accept lawyers because they consider themselves "prisoners of war" in their battle against the state.

Two Palestinians accused of murdering an Egyptian newspaper editor last month in Nicosia pleaded not guilty today as the trial opened. That murder began a sequence of events which culminated in an Egyptian commando raid on a commando plane at Larnaca Airport, in which 15 of the commandos were killed. The two Palestinians surrendered.

Samie Mohammed Qatar, 28, and Zayed Hussein Ahmed Alali, 26, are being tried for the Feb. 18 slaying of Youseff Sebai, editor in chief of Cairo's Al-Ahram.

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In Siberia, winter is long and children are prepared.

Obituaries

Henry Wriston, 88, Educator, Adviser to U.S. Government

NEW YORK, March 9 (UPI).—Dr. Henry M. Wriston, 88, president of Brown University from 1937 to 1965 and a principal adviser of the army, Col. Peralta Azurduy is benefiting from Mr. Sandoval's political experience and his effective control of the electoral registry.

As a result, since there were no leftist or reformist candidates for the presidency, the main political significance of the elections could be the exclusion of Mr. Sandoval and his ultraconservative party from power and influence for the first time in more than two decades.

Tanzania Fears Cholera Spread

DAR ES SALAAM, March 9 (UPI).—More than 400 persons have died since a cholera outbreak began in Tanzania last winter and health authorities now fear a major outbreak here in the capital.

Officials earlier this week closed all primary and secondary schools in Dar es Salaam "until further notice" and school authorities yesterday confirmed they will remain shut until the threat of cholera has totally disappeared.

Tanzania had been virtually cholera free until the current outbreak began in November.

The war Sir Roy, who was knighted in 1959, served first on Churchill's staff at the Admiralty, then as an aide to him as Prime Minister until 1942.

He was adviser to the IMF in 1953-55.

His academic affiliation with Oxford University spanned 46 years from 1921 to 1967 and brought him honorary doctorates from the universities of Pennsylvania, Poltava in France, Stockholm and Glasgow. Four times in 1954, 1957, 1969 and 1970—he was visiting professor at the University of Pennsylvania.

Break in Tradition

Before Dr. Wriston, all of Brown's presidents except for the first had been Brown alumni and Baptists. Dr. Wriston was a Methodist and an alumnus of Wesleyan University.

He graduated from Wesleyan in 1911 and went on to take Master's and PhD degrees at Harvard. He was appointed an instructor in history at Wesleyan and became a full professor in 1919.

After 11 years at Wesleyan he became president of Lawrence College in Appleton, Wis., in 1925, at the age of 35. In 1937, he became the 11th president of Brown.

In the 1930s he was a critic of the Roosevelt administration for what he called "administrative and legislative injustice" to business and industry in favor of labor unions. In the same decade and thereafter Dr. Wriston was a leader of the fight against loyalty oaths in American education.

In 1960, President Dwight Eisenhower named Dr. Wriston chairman of a presidential commission on national goals. With other members of that panel, including Dr. James Conant, the former president of Harvard; Learned Hand, the jurist; George Meany, the labor leader; Clark Kerr, president of the University of California, and Colgate Darden Jr.,

Friends said the women were freed at dusk yesterday.

A total of 23 women had notified Western correspondents that they would demonstrate to mark Women's Day, a national holiday. They and 18 other women had also vowed to begin a hunger strike yesterday.

The only non-Jew in the group was Mrs. Irina McClellan, 38, who was married here in May, 1974, to Woodford McClellan, a professor of Russian history at the University of Virginia. She has not been permitted to join him in the United States.

The group, which eliminates references to the collective guilt of Jews for the death of Jesus, captured 12 of the 17 council seats.

Opponents of the revised script, which eliminates references to the collective guilt of Jews for the death of Jesus, captured 12 of the 17 council seats.

"I am convinced that the new council will lift the decision to reform," Mr. Zwink said. The choice of a script for the 1980 passion play was the major issue in the election campaign for the town's 3,544 voters.

10. The voices of children.

(Another good reason to call home.)
(An international call is the next best thing to being there.)

Long Winters, Little Rain

Nature a Major Handicap for Siberia Farm

By Craig R. Whitney

CHIK, U.S.S.R. (NYT).—Winter buries the 75,000 acres of Chik state farm under a sea stretch whose undulating swells stretch endlessly across the Siberian plain. The snow started falling in October; it will not melt until next month.

At this time of year it is hard not to believe that Soviet agriculture would probably lurch from feast to famine even without the problems of forced collectivization.

On a recent day when the temperature stood at a "quite normal" zero-degree Fahrenheit reading, Alexander Kuznetsov, deputy director of the farm, described this region—two days' journey from Moscow on the Trans-Siberian Railroad—as a "marginal agricultural zone."

"We do not have enough rainfall," he explained, "only 12 to 14 inches a year, and most of that usually falls in August and September, in the middle of the harvest."

As in most of the Soviet Union, farmers here have only 20 days to bring in the crops before the soil turns hard as rock under the frost. If the rainfall occurs during those 20 days, it spoils the harvest; where the rains are more plentiful, the land is less

arable.

Drought Year

Last year was a bad year, Mr. Kuznetsov said. "We had a drought"—and the flat fields produced 19 bushels of spring wheat an acre although the farm's five-year plan had forecast 27 bushels an acre, which would have brought Chik up to the productivity in the grain belt of North Dakota.

The grain harvest last year fell below 195.5 million metric tons, more than 38 million less than in 1976. About 12 per cent of the crop is grown here in Siberia; about a third of the rest was spoiled by rains in Kazakhstan, which begins a few hundred miles south of here. Officials are trying to make up for the losses by buying grain from the United States—at least 8 million tons so far.

Chik is a model farm—the Russians did not bring a group of Western correspondents here to show them what was wrong with agriculture under Communism and a lot of what is wrong is simply the weather. Long before Communism and collective farming

Sir Roy Harrod

HOULT, England, March 9 (AP).—Sir Roy Harrod, 78, one of Britain's foremost economists and a former economic adviser to the International Monetary Fund, has died at his home here, it was announced today.

During the war Sir Roy, who was knighted in 1959, served first on Churchill's staff at the Admiralty, then as an aide to him as Prime Minister until 1942.

He was adviser to the IMF in 1953-55.

His academic affiliation with Oxford University spanned 46 years from 1921 to 1967 and brought him honorary doctorates from the universities of Pennsylvania, Poltava in France, Stockholm and Glasgow. Four times in 1954, 1957, 1969 and 1970—he was visiting professor at the University of Pennsylvania.

Adm. John Hall

WASHINGTON, March 9 (WP).—Adm. John Leslie Hall Jr., 88, an amphibious commander in World War II, died Monday in Scottsdale, Ariz.

Gordon E. Cox

VIENTIANE, March 9 (UPI).—Canadian Ambassador Gordon E. Cox, delegate to the troop reduction talks in Vienna, died yesterday after being run over by a train, the Canadian Embassy announced today.

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Russians Detain, Release Women

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Planning Protest

MOSCOW, March 9 (UPI).—Authorities have released a group of Jewish women and a U.S. citizen's Russian wife who had all been seized as they tried to demonstrate for permission to emigrate, friends said today.

"We have no idea where the hijacker wanted to go," a government spokesman said.

Another spokesman said the flight engineer, identified by the officials as Shih Min-heng, 34, waving a hammer and scissors, apparently tried to seize the plane shortly before it landed in Hong Kong.

Bundestag Approves Spy-Agencies' Merger

BONN, March 9 (Reuters).—The Bundestag today approved a law that would establish parliamentary control over West Germany's three intelligence services.

The government would be responsible to a parliamentary commission in which all three political parties are represented. The proposed law makes clear, however, that the government would maintain overall responsibility for the intelligence services.

Pravda Attacks China 'Distortion'

MOSCOW, March 9 (Reuters).—Pravda today attacked China for increasing its propaganda against the Soviet Union and said that the Peking leaders were relying on anti-Sovietism to help resolve their internal problems.

China is producing more anti-Soviet propaganda than ever, the Communist paper said. In the first two months of this year a Chinese newspaper published more than 100 articles "crudely distorting the Soviet Union's home and foreign policy," it said.

"The strengthening of propaganda against the Soviet Union shows above all that anti-Sovietism remains one of the basic means by which Chinese leaders hope to solve their extremely complex internal political problems.

China's foreign policy," it said.

Heads of Turkey, Greece Arrive For Swiss Talks

MONTREUX, Switzerland March 9 (UPI).—The Premier of Greece and Turkey arrived here today for a two-day meeting aimed at resuming negotiations on the Cyprus issue and the dispute between their two countries.

Constantin Caramanlis

Greece and Ecevit, Turkey's foreign minister, are to meet for talks on the Cyprus issue and the dispute between their two countries.

Kidnapped Frenchman Is Alive, Manila Says

BASILAN ISLAND, the Philippines, March 9 (Reuters).—French Culture Minister official Pierre Huguet, 50, kidnapped by Muslim rebels for a \$150,000 ransom, is alive and well, a local military commander said Tuesday.

The commander confirmed that the Manila government had offered an amnesty to the kidnappers for Mr. Huguet's release, but added:

"If they harm him, we will go after them and they will be fugitives for life."

Long Winters, Little Rain

ing came to these latitudes, Russian farmers had to try to get all their field work done in only four to six months, compared with eight or nine for farmers in the rural life.

"We get permission to go about six times a year," he added, "and the rest stay at home and watch television." His daughter got married in Krasnoyarsk, he said, but his two sons will stay on the farm.

Keeping the peasants on the land has been a problem since czarist times. About 8,000 a year leave the isolation of farm villages in western Siberia and move into Novosibirsk looking for urban comforts and industrial jobs.

The managers in the main administration building in this village stop work under a sketch of Leonid Brezhnev, and in the next room Marx and Engels, whose knowledge of farming was confined to what they read in libraries. Look down from the walls. Outside is a two-seat outside toilet facility.

THEATER IN PARIS

Goldoni Makes Case for Women's Rights

By Thomas Quinn Curtiss

PARIS, March 9 (IHT)—Claude Santelli's staging of Goldoni's *Les Rustes* (at the Théâtre de la Michodière) is an exemplary production of a classic. It neither overemphasizes the pictorial 18th-century Venetian setting so that the play is drowned in "fantastic pageantry, nor does it distort the text with modernizing" directorial anarchy so that it becomes indistinguishable from a revival of "Hellzapoppin."

Goldoni, like most reformers, had to leave home and, like many of them, he came to Paris. He revolutionized the Italian theater by taking Molière as his model and by turning his back on the improvised commedia dell'arte and the fairy-tale fantasies of his brilliant contemporary, the exultant Godot.

Every good deed is rewarded with its punishment and for his innovations Goldoni was showered with abuse and the playhouse intrigues grew so thick and hot that he moved to France.

This strategy proved sagacious.

He soon had the support of the king and court and his countrymen, suddenly impressed, accepted his work and have treasured him ever since.

He was not an exceptionally kind man, as he confesses in his cheerful, sunny memoirs, but was modest about his writing. He knew his worth, but after a triumphant premiere he would jot down in his notebook: "Good—but not yet Molière." His admirers dubbed him "the Italian Molière," but he was not. In his keen observation of human foibles he emulated his French

master, but his good-natured approach is closer to the gentle Goldsmith. It was not his desire to write as bitter a satire as "Tartuffe" and his piety would have halted his pen in ridiculing religiosity.

Bucolic Husband

His aim was humor and his attack on superstition is largely surface but always funny. In "Les Rustes" he speaks in favor of women's rights, but without the noisy acrimony of the present movement. He caricatures a set of bucolic husbands and lets the case make its own statement, which is done in the name of common sense.

His skill is apparent in his contrasting of various specimens of household tyrants and brutes. There is the ferocious misanthrope who wants to see no one and who longs to be left alone. There is the henpecked hubby, milder in temperament, but a drag. He hates going out, has no conversational abilities and positively but significantly conceals his yawning when in society. Another is the household tyrant infatuated when crossed—which is often. They are all distinct individuals. Goldoni drew their portraits 200 years ago, but you have met their kind again and again.

The scene is carnival Venice in the 1760s and the intrigue revolves about a prospective marriage, almost prevented by a gaff.

The plot is slender, but it is sufficient for a merry romp and the excellent acting is in the spirit of the occasion.

Michel Galabru is the "heavy" father, determined to maintain law and order and his strong,

loud will over his family. His rowdy, full-blooded characterization dominates the evening. Georges Genet is the husband who craves peace and quiet and Pierre Mondy is the bland, sleepy dandified Nelly Bourgaud. Christine Mazzoni and Magali Renoir are ladies bewitched by the good manners and attentions of a nobleman visiting Venice for the festivities.

At the Michodière, "Les Rustes" has verve, style and charm, offering an evening of fine entertainment.

For reasons impossible to decipher, "Hôtel Particulier" has received an elaborate production at the Théâtre de Paris. Raymond Rouleau has directed and has selected a company of 14, all players of the first order, for its interpretation. Why? The feeble excuse for a boulevard sex farce, written by Pierre Chénot, would never have passed muster at the Palais-Royal, even in the off season. Its running joke was time-worn when Plautus used it 2,200 years ago in Rome and it has been employed to more clever purpose since.

An impoverished widow of social standing, beset by creditors, accepts an offer to rent her mansion on certain afternoons. Her home becomes a brothel and learning this, she enters into the profitable affair. The complications and the misidentifications of the situation involved may be imagined and they have been imagined more amusingly by countless playwrights. An American variation of the general theme, "Lost Sheep," portrayed

a clergymen with three attractive young daughters renting a former sporting-house to which the former customers continued to arrive, mistaking the girls for a fresh shipment of prostitutes.

Among those enlisted to give the seedy Chénot script a boost are Micheline Lucioni as the mistress of the house, Constance Marchand as the madame who leads her as stray, Jacques Castelot as a polished aristocrat, Ginette Garcin as an awkward call girl drafted to double as a parlormaid, Françoise Marie as a neighboring nun

who fits about, Odile Mallet, Claude Laydu as an influential rogue, Charles Joubert as a corrupt police official and Claude Nioot as an honest suitor who stumbles into the fracas. If there are no better new farces to be found, producers would do better to resurrect some old ones.

Phyllis Rooney will open her one-woman show, "Help, Mummy, Help," a vehicle consisting of bilingual sketches and songs, at La Mama du Marais 19 Rue Ste-Croix de la Bretonnerie on March 15. Curtain time is 8 p.m.

NOISY-LE-ROI, France, March 9 (IHT)—A Parisian artist, Fernand Cohen, and his wife, Josette, have put together here an unusual and very pleasant combination wine store, wine bistro and restaurant.

Les Caves de la Tuilerie is the sort of establishment you might expect to find in a suburban shopping center where everything would be ultramodern and plastic, including the food and wine. Not here.

The Cohens bought a marvelous old building with an ancient undulating tiled roof that stands several hundred meters from the entrance to the Saint-Nom-la-Bretèche golf course. It was formerly an épicerie-buvette (cafeteria-grocery) but it had a nice garden and six months ago had redded the place entirely.

They exposed the wooden beams and stone walls, put in a good new kitchen, built a patio with a barbecue in the garden for summer outdoor dining and brought in a good selection of wines to sell by the bottle or case, at table or in the bar. The idea

caught on quickly with local residents.

The Cohens are friendly and easygoing, and the food and wines are good and reasonably priced. Although Mr. Cohen has no professional training as a cook, the produce is always fresh and seasonal. The dishes are simple and well prepared, some traditional, others more imaginative, such as stuffed squid, raw scallop salad and fish stew.

What makes the triple formula work, Mr. Cohen said, is that "no one has a cellar in modern suburban houses. Clients taste a wine at the table and then take home a case or two on the way out."

The golf course brings us a lot of clients, including many Americans. After a day of golfing, they stop off for a drink in the bar and take home some wine."

The same goes for after biking, another popular way of getting exercise in the suburbs.

The Cohens' wines (all of which are on view in the bar-store) include a good although limited selection of Burgundies and Bordeaux. Two good samples are the Blagnac (red Meursault) and Château Loudeenne red from the Médoc.

The Cahors sells especially well and there are a few unusual and very good wines, such as U Natale, a Corsican wine, and a white Cheverny Sauvignon from the Loire. Most of the Beaujolais growths are available as are a few crus classés from Bordeaux and Château Giscours (Médoc) and Pigeac (Saint-Emilion).

Among the Champagnes is grower Jean Vesselle's outstanding Bouzy blanc de noirs. The 1931 Fine Bois Cognac and 1940 Armagnac are both remarkable.

Les Caves de la Tuilerie, Route Nationale 307, Hamon de la Tuilerie, 78590 Noisy-le-Roi. Reserve for the restaurant (Telephone: 460.90.85). The bar and store are open from 10 a.m. to 3 p.m. and 7 to 11 p.m.; the restaurant from noon to 2 p.m. and 7 to 11 p.m. Closed Wednesdays.

To drive there from Paris, take the Autoroute de Normandie to the second exit for Versailles. Turn left over the autoroute toward Versailles. Two hundred meters further, turn right onto R.N. 307. Seven kilometers on this road will bring you to the Hamon de la Tuilerie.

SHARPS AND FLATS

Fats Domino, touring Europe, will be in Amsterdam March 10 at the Jaap Edenhal at 8 p.m. and in The Hague on March 12 for two shows at the Congressgebouw at 7 and 11 p.m.

Charles Aznavour, in a series of one-night stands in the Netherlands, is in Rotterdam March 10 at the Doelen at midnight; in Utrecht the following night at 8 p.m.; in Amsterdam March 13 at the Concertgebouw at 8 p.m., and in The Hague March 14 at the Congressgebouw, also at 8 p.m.

Cab Kaye is in Amsterdam March 10 and 11 at the Jazzland, and in Zoeterwoude March 12 at the Captain's Cabin.

GENEVA—Nancy Holloway, just back in Europe from a tour of the Far East, is appearing nightly at the Club 68 with the American group Ice.

The Vince Benedetti Quintet-High Plateau will be in Zurich March 10 at the Kaufleuten and in Zürich the following night at the Théâtre de Poche.

LONDON—Renaissance plays the Hammersmith Odeon March 11 at 8 p.m., followed the next night by the Strawbs, also at 8 p.m., and The Manhattan Transfer will be featured at the Palladium from March 13-19.

Alan Bennett's play "Hebeus Corpus" will be presented by the Fontenoy Players, the Unesco English Drama Group, March 15, 16 and 17 at 7 p.m. in the Salle de Fontenoy in Paris.

French premiere March 13 at a concert of the ensemble L'Inégal at the Nouveau Carré in Paris. Joel Thoma is the conductor and Mikico Hirayama, Maureen McNauley and Neil Proger the vocal soloists in the program that also includes George Crumb's "Ancient Voices of Children" and Michael Levinas's "Voix dans un Vaisseau d'Airain."

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Car makers from all over Europe have tried to hire away Italian designers and engineers.

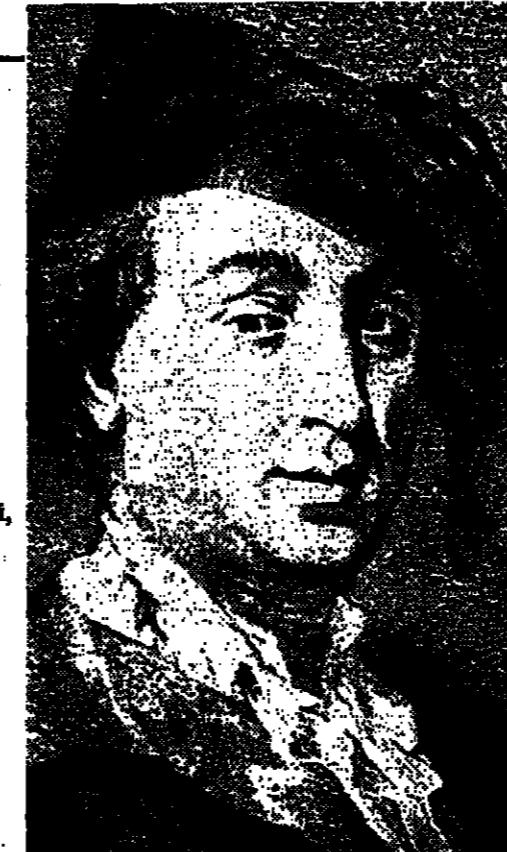
And many European cars are half-Italian as it is: they're designed by free-lance Italian designers.

Be that as it may, only Italy can produce an Italian car.

And since the whole point of a car is to drive it, shouldn't you be driving an Italian car?

FIAT

Fiat Settore Automobili, Torino



Carlo Goldoni, the "Italian Molière," is having a revival in Paris—*"Les Rustes."*

ENTERTAINMENT IN NEW YORK

NEW YORK, March 9 (IHT)—

This is how The New York Times critics rate new films and plays:

Films

"Crossed Swords," based on Mark Twain's "The Prince and the Pauper," about the mad mix-up created when Prince Edward, the son of Henry the VIIIth, changes places with a 10-year-old beggar boy look-alike, "contains some stunning views of English palace and countryside, a lot of swordplay and its fair share of grandly fruity lines," according to Vincent Canby. Its star-studded cast includes Charlton Heston as Henry VIII, Rex Harrison as the Roman Catholic Duke of Norfolk, George C. Scott as an ex-monk turned bandit chief, Oliver Reed as the soldier of Fortune Miles Hendon and Raquel Welch as the woman he loves. Mark Lester,

now 18 years old (who played little Oliver) 10 years ago "looks silly" in his double role of a 10-year-old prince and pauper. Canby adds that the "elaborate" and "expensive" production, under the direction of Richard Fleischer, has an "amazingly apt and convincing" quality as that of a road-company opéra-comique.

"A Little Night Music," a movie version of a Broadway adaptation of Ingmar Bergman's "Smiles of Summer Night," manages to "pursue disaster in the manner of someone who, with mindless self-confidence, care of the limb he's sitting on," Vincent Canby says. Directed by Harold Prince (who also directed the stage version), with a screenplay by Hugh Whitemore (who wrote it from his own Broadway book), it is a romantic, turn-of-the-century masquerade about three mismatched couples who stumble

Plays

"Fingers," which marks the directorial debut of screenwriter James Toback, is about "a man who has no friends and who doesn't have any," Janet Maslin says. Harvey Keitel plays the lead role of Jimmy, a sexually troubled character, resented by his mother, hated by his father, whose desire to create a wall against the rest of the world manifests itself in a tendency to carry around a

portable tape deck everywhere he goes, alternately blasting classical music and rock and roll. This restless finger tapper, whose malaise is enough to make Taxman blush," becomes entangled with an "elusive, mysterious" girl, Tippi, who "gives a performance of such low wattage she barely seems plugged in." Toback hasn't "put his hero in any kind of dramatic perspective," Miss Maslin adds. And he is "apparently unwilling to explore him in terms more intimate than those of an introductory psychology course."

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"Hello, Dolly!" that old classical musical about a flamboyant matchmaker bent on making a match for herself, "is not a revival" but "a return," according to Richard Eder. Under the direction of Linda Vista, "every rhythm, every step of the original has

been meticulously re-created." Carol Channing, who has played the role more than 1,500 times, appears again as Dolly Levi. But if her performance is by now "well known," Lee Roy Reams and Robert Lyndard are full of charm and comic exuberance.

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The Unpredictable Left

The Communists appear to have won a foothold (but not a seat) in the Italian government. The party north of the Alps also is sanguine about its prospects in the imminent French elections, although predicting the outcome of French balloting is one of the more hazardous occupations and the Socialist allies of the Communists are still not on the best terms with them. But the greatest difference between the French and the Italians in this political area is that the Italian official left, including the Communists, is as cautious as the West German Social Democrats or the British Labor party.

It is not easy to say how this distinction occurred. The French left, like that of the rest of the Continent, has had ample opportunity to note that radicalism may not work well in practice; that nationalised industries may be a burden to the taxpayer while private industry produces money for the stockholder, jobs for the worker and national wealth. The Communist example in Europe also has done much to deflate the illusions that sustained the radical left a generation ago.

Moreover, the French have a tradition of

maintaining parties with exciting names and conservative programs—the Radical Socialists, for example. But they have also had, since the Fifth Republic was instituted, predominantly conservative governments. They have certainly worked better than those of Italy, but there are economic stresses now that appear to find outlets in adventurous forms of Socialism and Communism; in hopes for extensive nationalisation and broad wage increases.

In any case, the difference between the policies and programs of the parties of Valéry Giscard d'Estaing and Mitterrand is pronounced; between those of the Communists and the Gaullists it is even more so.

In plain fact, however, the French have demonstrated fundamental strength. France remains a political and economic power in its own right—not on some Bourbon, Napoleonic or even Gaullist basis, but one in which a democracy has surmounted obstacle after obstacle, and still presents a rightfully proud Marianne to the world. And that, rather than opinion polls or even votes, is the real gauge for viewing the coming elections with hope for a France eternal.

Unending Human Rights Review

Two and a half years ago, the United States, the Soviet Union and 33 other states endorsed the celebrated "Helsinki final act." It ratified the territorial changes wrought in Europe by World War II, abjured the use of force to settle disputes, and committed the signers to a variety of measures to protect the human rights of their citizens. They also undertook to meet again at Belgrade two years later to assess what they had done—and not done—to make good on their commitments.

The long Belgrade review is now ended. The only formal result of four months of labor is a brief communiqué noting that the delegates met, talked and agreed to another review in Madrid in 1980. To many observers, that meager result demonstrates the futility of the process begun at Helsinki. An honest reckoning, they say, would have noted modest progress in fulfilling some provisions of the Helsinki accord—to make surprise attacks less likely and to facilitate trade and investment—while recording the failure of the Soviet Union and allies to show the promised respect for human rights.

That would, indeed, have been an honest reckoning. But Belgrade should not therefore be written off as useless. It was inconceivable from the outset that Moscow and the Warsaw Pact countries would confess their human rights violations or put their signatures on a closing statement that even hinted of any. The Communist states had reluctantly agreed to include human rights in the Helsinki declaration to obtain formal Western recognition of their World War II frontiers. But they wanted nothing from the

West at Belgrade and felt no need to concede anything.

Still the "thorough exchange of views" mandated at Helsinki occurred at Belgrade. Western delegates were able, over a period of weeks, to detail the ways in which the Communist governments had failed to live up to their commitments, and the Communist representatives had to listen. Even more important was the agreement to meet again in Madrid. The Helsinki accord required only one review. But at the insistence of the West, and particularly the smaller neutral governments, the Communist governments felt impelled to agree to another likely embarrassment in 1980.

Failure to schedule another meeting would have undercut the unofficial "monitoring group" that have been formed in virtually every country to agitate for human rights in the name of the Helsinki pledges. A group headed by Yuri Orlov in the Soviet Union and one called "Charter 77" in Czechoslovakia are the best known but there are others. For more than two years, the approach to Belgrade gave their courageous members a focus. Now Madrid 1980 will serve similar purpose—and allow the Western governments to keep using the findings of those monitors to document charges of Communist failure.

Helsinki gave every participating nation the right to inquire about human rights abuses by any of the others. By reconfirming that right, Belgrade marks a modest but significant accomplishment.

—From an editorial in The New York Times

Israel's Debate

The fight in Israel over peace negotiations is the best thing that's happened in the Middle East since Anwar Sadat went to Jerusalem. It shows that Israelis, rather than stand pat on a policy that threatens to cost them a perhaps irreplaceable opportunity for peace, are rethinking the hard questions. Note that the argument lies not simply between the ruling Likud and the Labor opposition, but inside the government and, indeed, inside the very faction of the governing coalition to which Prime Minister Begin belongs.

The most striking challenge is that of Defense Minister Ezer Weizman, conceivably a successor to Mr. Begin, who said he would resign if his government permitted the expansion of settlements in occupied territories to go on in defiance of his orders as head of military occupation. True, that does not go directly to the larger question of whether Israel should expect to retain those settlements in peace agreement. But Israelis are far from unanimous that they should keep those in Sinai, or keep them permanently. And across much of the political spectrum, there is more or less open opposition to the government's recently clarified view that the return of territory contemplated in UN Resolution 242 did not include the West Bank.

The various aspects of the settlement issue are different in substance and in political implications. It is relatively easy for expansion work to be halted at least until Mr. Begin comes to Washington. He's due next week, and if he then agreed to halt work for a longer period, that would be useful but not necessarily conclusive. More important

is the slowly growing recognition that, to keep Anwar Sadat at the peace table, the government should offer both a more forthcoming formula on the Sinai settlements and a position on the West Bank that will let Mr. Sadat draw King Hussein to the table, too. The relevant question for Israel is not whether they would prefer to hang on to the settlements but whether they would prefer to do so at the expense of losing everything that became possible at Jerusalem last year.

The Israeli government, finding the debate painful, will naturally try to fragment and divert it, most likely by appeals to the deep and diplomacy-paralyzing security emotions so many Israelis have felt practically since birth. But if, as we suspect, Israel needs at least one rocking internal crisis to concentrate its best judgment, then it is a debate that friends of Israel must urge on.

The U.S. role is to help force the debate, by remaining steadfast in its own view—which we find to be generally a correct and courageous one—of what the peace process requires. Some Israelis, and some U.S. Jews, are tempted to play up the aspect of Israeli-U.S. confrontation inherent in that process. Presumably they think it's a clash that Israel, with its political leverage in this country, can win. We wonder about that, but no matter. The real and necessary confrontation is in Israel proper, between those who sense the opportunity opened up by the Sadat initiative for a measure of imperfect but growing security beyond anything Israel can otherwise know, and those who don't.

THE WASHINGTON POST.

In the International Edition

Seventy-Five Years Ago

March 10, 1943

LONDON—The Daily Telegraph in an editorial on the demands for an increased expansion of the British Navy, says: "France, Russia and Germany are hurrying forward their shipbuilding, and we cannot afford to be left behind in a race on which our national and Imperial existence is staked. But somehow, for some unexplained reason, there doesn't seem to be the least amount of panic in our expansion, and there definitely should be."

Fifty Years Ago

March 10, 1928

NEW YORK—The fair, moderate weather which the East has been experiencing this winter came to an end abruptly when a heavy snowstorm descended on New York this morning. By noon it had steadied down to a heavy snowfall and forecasters predicted a genuine winter for the next few days. There was also a bit of unseasonal weather on the other side of the Atlantic in Paris, which also suffered from shivering winds and a light snowfall this morning.



Protecting CIA Secrets in an Open Society...

By Anthony Lewis

BOSTON—As director of the CIA, William E. Colby put great emphasis on the need to protect intelligence secrets. He helped develop a legal strategy for secrecy, and he repeatedly asked Congress for a law to restrain leakers.

So it is news when Colby changes his approach. The other day, in little-noticed testimony before a Senate Intelligence subcommittee, he made a careful new proposal to balance the interests of security and freedom. His thoughts should be helpful to Carter administration officials, who are struggling right now with the old problem of how to keep some secrets in our open society.

Colby proposed legislation to protect "secret intelligence sources and techniques." His basic idea was to define these secret narrowly, and apply the statute only to people who had specifically promised to keep them secret. Such a carefully aimed law would be both more credible as a threat and less worrying to civil libertarians, he argued, than broad laws against leaks.

'Improper' Acts

"We all know," he testified, "that the total secrecy which characterized intelligence in the past included many unnecessary secrets, and that some of these covered activity improper at the time... We must give a signal... that America will not try to keep unnecessary secrets but that it does have the will and the machinery to keep the necessary ones."

In the past, Colby has urged legislation to let the government go to court and get injunctions against any prospective leak of classified intelligence information. He was also involved in developing the legal theory that secrecy agreements signed by CIA employees are legally enforceable contracts—the theory recently invoked by the Justice Department to seek damages from Frank Snapp for publishing his book on Vietnam without agency clearance.

Those ideas Colby now disavows. He told the Senate subcommittee that the government should not "burn frantically to attempt to enforce contracts or obtain damages." And he indicated that the constitutional presumption against prior restraints, spelled out by the Supreme Court in recent years, made injunctions a doubtful remedy.

Instead, Colby urged a narrow criminal statute. It would cover only intelligence sources and techniques "vulnerable to termination or frustration by a foreign power if disclosed." And it would apply to intelligence personnel who had signed secrecy agreements.

Ford's Bid

President Ford, on Feb. 18, 1976, proposed legislation to protect intelligence sources and methods. It never got anywhere in Congress. Colby's proposal has the same object but may be more attractive because it differs significantly in method.

The Ford bill would have allowed either criminal prosecution or injunctions against disclosures. Colby's approach excludes the latter.

2. The type of secrets to be protected would be strictly defined, and courts would hold in camera hearings to decide whether the material in a particular case met the definition. These would be adversary proceedings, with counsel for the defendant participating.

3. Journalists, or other third parties who had the information could not be prosecuted and would be protected from having to disclose, under subpoena, where they got it.

4. The statute would be the exclusive way to proceed against disclosure of intelligence sources and techniques. It would also end any obligation to submit manuscripts for clearance—but if an ex-employee submitted one voluntarily and it was cleared, he could not be prosecuted.

Colby, who now practices law in Washington, was asked why he had turned against the contract theory. He said: "It really isn't very dignified—using contract law to protect secrets." He made clear that he also thought it was ineffectual, because publishers got around it.

Letters

Israeli Settlements

I find your editorial about the Israeli settlements in occupied territory (CIT, March 1) difficult to follow. You are clear about the fact that the existence of these settlements constitutes an obstacle to peace. (Lord Carrington, more robustly, has called them "agents to destruction") and you rightly imply that their presence compromised the role of the United States as an "honest broker" between the Arabs and the Israeli. But you seem unclear about the basic question of whether there is, or is not, any legal justification for the settlements.

I do not think that anyone, apart from Mr. Begin and some (but not all) of his colleagues in the Israeli Cabinet, was in any doubt about this. The settlements, as part of Israel's policy of colonisation in the occupied territories, have been specifically condemned in a whole series of resolutions of the United Nations, to which the governments of the United States and its Western allies have subscribed. President Carter and other members of his administration have repeatedly condemned them as illegal; so have the heads of government of the members of the European Community (to say nothing of the Soviet Union and its allies). In the circumstances, it seems irresponsible for you to give any countenance to Mr. Begin's attempt to justify their existence, especially at a moment when it is the presence of the settlements and Israel's refusal to abandon them which most obviously are preventing any progress towards the achievement of peace in the Middle East.

May I remind you of the terms of the "consensus statement" of Nov. 11, 1976, in which the members of the UN Security Council unanimously reaffirmed that "the measures taken by Israel in the occupied territories that alter their demographic composition or geographical nature, and particularly the establishment of settlements... have

no legal validity and cannot prejudice the outcome of the search for the establishment of peace."

MICHAEL ADAMS.

London.

African Dress

Under this reasoning, Aaron's decision to leak Lipavsky's CIA connection—as a "walk-in" recruit who was obviously a KGB plant—had one purpose: to protect Mr. Carter from embarrassment. But Mr. Carter never would have needed protection had he not publicly vouched for Shcharansky.

That was the first recorded case of a president publicly exonerating a foreign national from his own government's charge of spying for the United States. It greatly unnerved the CIA. By claiming Shcharansky's im-

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no legal validity and cannot

prejudice the outcome of the

search for the establish-

ment of peace."

MICHAEL ADAMS.

London.

BUSINESS

Herald Tribune

Published with The New York Times and The Washington Post

PARIS, FRIDAY, MARCH 10, 1978

FINANCE

Page 7

Japan to Seek U.S. Action on Dollar

By William Chapman

TOKYO, March 9 (UPI)—The dollar suffered another beating on Japan's foreign exchange today and worried government officials began demanding that the Carter administration act quickly to stem the currency's decline.

Premier Takeo Fukuda called the latest dollar loss against the yen "very grave" and told a parliamentary committee he is urging the United States to take effective action to defend the dollar.

He also instructed ministers to

search for emergency measures to prevent the yen from rising even higher against the dollar in the next few days.

Those ministers let it be known they will press the Carter administration to act swiftly to bolster the dollar, and they also prepared to clamp down on a sudden inflow of foreign money that has sent the yen rising to record highs this week.

After spurts of heavy trading, the yen closed today at 235.60 to the dollar, another postwar high. That means that the dollar has now lost about one-fifth of its

value against the yen in the past year. It closed at 225 yesterday.

When the market opened, the Bank of Japan intervened with large dollar purchases, hoping to stabilize the exchange rate at 235, but quickly bowed out when it became apparent that the selling pressures were too strong. In one five-minute period more than \$100 million traded, an amount equal to a half-day of trading in normal times.

The buyers reportedly included many foreign banks that fear the dollar will sink even lower, and domestic banks getting rid of dollars held by Japan's own trading companies.

"Nobody wants to be left holding dollars now," said one American banker in Tokyo.

Unlike European governments, Japan's has been timid about blaming the United States for the currency troubles and reluctant to demand publicly that the Carter administration act to defend the dollar.

A change of attitude was evident when the governor of the Bank of Japan, Teiichiro Morinaga, said the problem is not that the yen is too high but that the dollar is too low. He said he would press the Carter administration to act quickly to stabilize the dollar.

Other officials, in off-the-record sessions with Japanese reporters, indicated plans are under way to ask the United States to order the Federal Reserve Bank of New York to buy more dollars quickly. They also described plans to encourage Washington to make a \$2-billion "currency swap" with Japan to shore up the dollar in Tokyo and elsewhere.

The government is also preparing new measures at home to prevent the yen from rising higher. It is reportedly ready to place new foreign exchange restrictions on short-term foreign investments in Japan and to tighten reserve requirements on yen deposits held in Japan by foreigners.

Dollar Hits Low Against Yen, French Franc Under Pressure

LONDON, March 9 (AP-DJ)—The dollar managed to firm against most major currencies in moderate European foreign exchange dealings today without the need for any appreciable European central bank support and in the absence of any new major developments.

The French franc, however, has come under intense pressure ahead of the general election, which commences this weekend, and the Bank of France sold an estimated \$80 million to prop up its currency. The dollar climbed 1.26 per cent against the French franc to 4.8550 francs, up 6 cents.

In Tokyo, where the dollar closed at a record low of 233.60

yen, the Bank of Japan raised \$320 million to support the U.S. fund, it was reliably learned.

The U.S. unit finished in London at 235.60 yen, up 60 points on the day.

Elsewhere, against the deutsche mark, the dollar rose 67 points to 1.0310 marks.

Against the Swiss franc, the

U.S. unit surged to its highest level in five weeks as awareness grew that recently announced Swiss capital and other curbs may put upward pressure on the Swiss currency. The U.S. fund appreciated 4 per cent to 1.962 francs, up 7.5 centimes.

Sterling slipped to 4.9260 versus \$1.9245.

In Bonn, a government spokesman said President Carter talked with West German Chancellor Helmut Schmidt for 15 minutes on the telephone today with the discussion centering on economic, currency and disarmament questions. On Sunday, British Prime Minister James Callaghan is scheduled to hold private discussions in Bonn with Mr. Schmidt in an attempt to break the stalemate that has affected Western economies in recent months.

TOKYO, March 9 (AP-DJ)—Certified exports, which show the export trend over the near term, rose by 18.9 per cent in February from a year earlier to \$7.4 billion, a government said today. This followed a yearly increase of 22.4 per cent in January.

Japan's certified exports rose 14 per cent from January, the Ministry of International Trade and Industry said.

On a yen basis, February certified exports were down 2 per cent from the year-earlier month but up 1.2 per cent from January.

Bankruptcies Rise

Meanwhile, corporate bankruptcies in February totaled 1,212 cases up 6.2 per cent from 1,141 cases in January but down 11.1 per cent from 1,364 cases in February 1977.

Tokyo Shoko Research Ltd., a private corporate credit inquiry agency, said liabilities left by the collapsed companies in the month hit an all time high for a month and were up 162 per cent from the prior month and up 158.6 per cent from the year-earlier month.

The agency attributed the sharp increase of debts in the month mainly to the large scale failure of Eida Co. and its affiliates.

Plans call for a 5.9-per-cent

increase in spending during the first quarter, to an annual rate of \$14.6 billion, and a 2-per-cent increase in the second quarter to \$16.3 billion.

The Commerce Department said that in the fourth quarter of 1977 capital spending declined by 1.6 per cent to \$134.1 billion after a 4.6-per-cent increase in the preceding three months.

Second-Half Outlay

Spending in the second half of this year is projected at \$143.2 billion on an annual basis, 3.8 per cent above the first-half level, and 10 per cent above the level in the second half of 1977.

Manufacturing industry projects an 11.7-per-cent spending increase this year, after 1977's actual gain of 14.6 per cent, while nonmanufacturing industries are projecting a 10.4-per-cent expenditure rise compared with 11.5 per cent.

In 1977, this meant that real plant and equipment spending rose by about 7 per cent.

Plans call for a 5.9-per-cent

U.S. Wholesale Price Rise Biggest Since November '74

WASHINGTON, March 9 (Reuters)—U.S. wholesale prices as measured by the Labor Department's finished goods index rose a seasonally adjusted 1.1 per cent in February after a 0.6 per cent rise in January, the department said today.

The department's all-commodities index jumped 1 per cent for February compared with a 0.8-per-cent rise for January.

The finished goods increase was the biggest since the 1.9-per-cent rise in November, 1974, the department said.

Food prices rose 2.9 per cent in February, also the biggest increase in 38 months, compared with 1.1 per cent in January.

Excluding food, the finished goods index was up 0.4 per cent compared with 0.6 per cent in January.

The latest increase left the finished goods index at 188.3 per cent of 1967's average, or 6.6 per cent ahead of a year earlier, the department said.

The all-commodities index, the traditional wholesale price measure which the Labor Department plans to phase out in favor of the finished goods index, stood at 302 per cent of its 1967 average in February. That was 6.2 per cent ahead of a year earlier.

The department said the February finished goods food increase appeared to be partly due to the impact of adverse weather on supplies of some items.

Prices for intermediate goods rose in February by the same 0.8 per cent as in January.

Excluding foods and feeds, prices rose 0.8 per cent compared with January's 0.9 per cent, the department said.

In the consumer durables sector, jewelry prices fell, while prices for cars, furniture and mobile homes rose more slowly. Prices of gasoline and heating oil fell.

Prices of industrial and agricultural machinery and other products rose 0.7 per cent in February after January's 0.5-per-cent rise. It was the biggest increase since the 1.3-per-cent rise in October.

The association said Japanese and French makers have not held talks on market share and shipment controls.

It is not necessary for Japan and France to conclude a market share agreement as sales of Japanese cars to the market are orderly, it added.

U.S. Kraftliner Hit by Duties

BRUSSELS, March 9 (AP-DJ)—

Countervailing duties ranging from \$255 to \$375 a metric ton have been imposed by the European Economic Community Commission on U.S. kraftliner exported to the community, the commission announced today.

Kraftliner is a type of corrugated paper used in packaging.

The community action followed an investigation initiated by the French federation of paper, cardboard and cellulose industry with the backing of all other EEC paper producers that had alleged that U.S. kraftliner was sold at an 18-per-cent dumping margin on the EEC market.

Canadian Bank Rate

OTTAWA, March 9 (AP-DJ)—

The Bank of Canada announced an increase in its bank rate to 8 per cent from 7 1/2 per cent in a new move to bolster the sagging Canadian dollar.

Gives Boost to Inflation

Fallout in U.S. From Dollar Decline

By Youssef M. Ibrahim

NEW YORK, March 9 (NYT)—The American consumer is beginning to pay the price of the falling dollar abroad. Prices of Datsun, Toyota and Volkswagen automobiles, Toshiba and Panasonic color television sets, Sony stereo equipment, West German and Swiss wines and a broad spectrum of other consumer goods imported into the United States are rising steadily.

Moreover, economists and import executives say that the prices of foreign goods sold here will climb even more over the next six months reflecting currency fluctuations that have already occurred but that have not yet worked their way through the system to the public.

In a direct reaction to the dollar's prolonged weakness against other major currencies, especially the yen and the deutsche mark, numerous imports are caught up in a price spiral that is hurting consumers, confusing traders and sending inflationary ripples throughout the economy.

Because of the record U.S. trade deficit—which means that a record volume of dollars has flowed into foreign hands—the dollar began its steady slide last October. In recent months it has plunged to record lows against the mark and the yen and has fallen sharply against such other major currencies as the British pound, the French franc and the Swiss franc.

Economists estimate that imported goods will increase in price by anywhere from 10 per cent to 20 per cent by the fall and that the rise will, in turn, inflate prices of domestic goods as well.

"When you add up the indirect effect of all this on wage increases, I would estimate that by the end of the year we will have a net increase of 1 per cent on our yearly rate of inflation," said

Robert Ornstein, senior vice-president and economist at Bank of New York.

The yearly rate of inflation, which in 1977 hovered around 6 per cent, is now up to around 7 per cent, economists estimate, and rising import costs are partly to blame. "Washington should not take much comfort in that," Mr. Ornstein said.

Automobile dealers say the effect of the price increases has been running through their industry like electric shocks. "I have not seen anything like it for years," said a Manhattan dealer for German cars. "We have been getting increases from the dollar agreeable against the mark."

He said the price of a BMW model 320 has climbed 9 per cent since last November and reached \$14,200 in January. "I expect another increase of 6 per cent very soon," he added.

A Toyota dealer said the Celica brand went up 4 per cent in November, 3.5 per cent in December and 2 per cent in February to a new high of \$6,700. "So far it has not hurt us yet," he said "but if this goes on it will."

Robert Coleman, an economist with the Department of Commerce, said that about 19 per cent of new cars bought by Americans were imported, with 60 per cent of these coming from Japan and about 20 per cent from West Germany. He said that, on the average, their prices had gone up from 5 to 7 per cent over the last six months. Last year, Americans bought 2.1 million foreign cars and paid almost \$9 billion for them.

The price increases are not actually hurting car imports, but they are expected to limit sales growth severely. Both Toyota Motor Co., Japan's biggest carmaker, and Nissan Motor Co., the second-largest, said they expected "zero growth" in their U.S. sales this year.

Miller Begins Fed Job, Cites Inflation Concern

WASHINGTON, March 9 (AP).

The new chairman of the Federal Reserve Board, William Miller, took up today where former chairman Arthur Burns left off, expressing deep concern about the nation's inflation rate.

"One of the great disappointments of the past year has been the lack of progress in reducing the pace of inflation," Mr. Miller told the House Banking Committee a day after he was sworn in as its target for the rest of 1978.

But he said that since the money supply actually has expanded faster than the growth target during the past year, averaging about 7.5 per cent during 1977, the Fed anticipated a deceleration of monetary expansion from the growth rates actually recorded in 1977.

Stock Prices Close Mixed

NEW YORK, March 9 (IHT)—

The stock market finished with mixed results today amid investor concern over rising inflation and developments in the nation's coal mines.

The Dow Jones industrial average was off 0.087 at 750. It was up 0.52 at 3 p.m.

Some 645 issues gained, with 475 lower, while volume totaled 31.82 million shares compared with 22.03 million yesterday.

Mr. Miller told the committee it may be necessary to increase the maximum interest rates payable on savings deposits of all kinds, including consumer deposits, because interest rates have been rising generally throughout the U.S. economy.

Analysts cited as positive the dollar's better showing in world currency markets today and hopes the United States would initiate new steps to aid the dollar. President Carter said at his news conference that U.S. and West German officials would meet this weekend to discuss the question.

Before trading began, the government said that U.S. wholesale prices rose 1.1 per cent in February after a 0.6 per cent rise in January.

The government also said U.S. business plans to increase capital spending by 10.9 per cent this year following a 12.7 per cent gain last year.

Analysts attributed most of the hesitation to concern that the striking coal miners would defy the Taft-Hartley injunction ordering them back to the pits.

But President Carter, at today's news conference, said he firmly believes the miners will obey the order. Mr. Carter reiterated that the government has no present plans to ask Congress for legislation to seize the mines.

Royal Dutch/Shell Profit Rises 8.9%

LONDON, March 9 (AP-DJ)—

Royal Dutch/Shell group reported today that its net income rose by 8.9 per cent last year to £1.34 billion compared with £1.231 billion a year earlier.

Sales proceeds, less taxes and duties, totalled \$22.73 billion, up 13.7 per cent from £19.98 billion in 1976, the Anglo-Dutch oil company said.

Currency translation effects on stocks sold and monetary items, which continued to distort quarterly comparisons during the year, reduced net income by £37 million in 1977 compared with £76 million a year before.

The company attributed the poor 1977 results to the crisis in the steel market. Turnover from

sales for the steel and machinery maker fell to 24.62 billion marks in the year ended September from 25.5 billion marks the previous year. Thyssen will pay a dividend of 5.56 marks a share for the year, down from 7 marks the previous year.

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Left as is

A Special Report

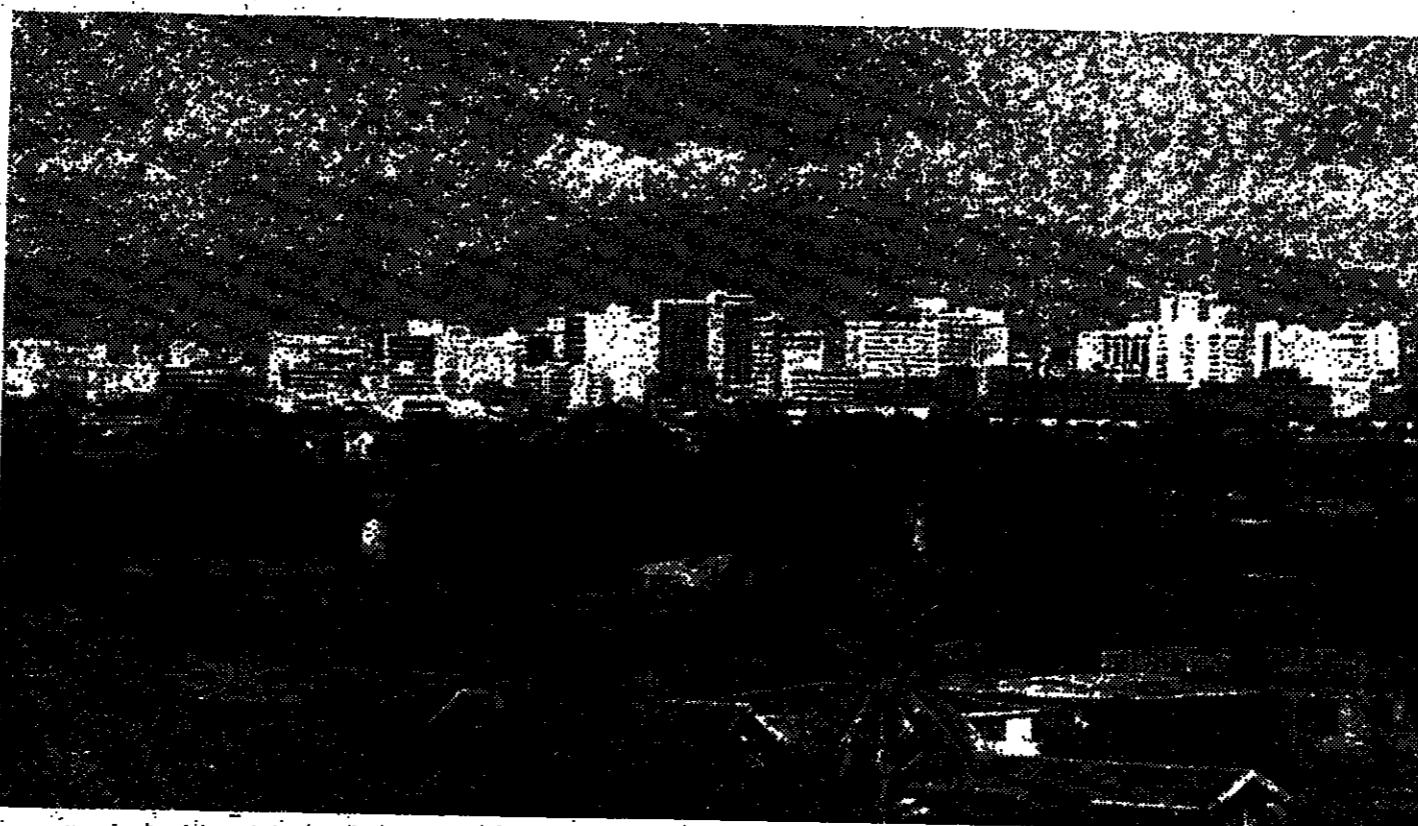


INTERNATIONAL
Herald Tribune
Published with The New York Times and The Washington Post
PARIS, FEBRUARY, 1978

FOCUS ON

THE PHILIPPINES

Marcos: The Nation's One Source of Political Power



Burgeoning Manila against its mountain background.

One-Man Rule With No Legal Opposition

MANILA (UPI)—President

Ferdinand E. Marcos

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Islands Still Retain Strong Economic, Cultural Ties to Mainland

MANILA (IHT) — The most important foreign relationship is maintained by the Philippines is with the United States—the former colonial master. Not only does the United States provide more military and economic aid than any other country, it also buys more Philippine exports than any other.

American businessmen have the largest investment share here, with a book value estimated at nearly \$2 billion. The United States maintains two large military bases in the country, the only ones remaining in Southeast Asia. In addition, the official American presence here (embassy, AID, CIA, Veterans Administration) is the largest in the world—some 400 officials and American staff.

The ties go much deeper than official and business contacts, though. There are the real, but largely non-quantifiable. During the American colonial period, the United States rulers trained a few generations to accept and feel comfortable with American thought and culture. This was accomplished through educational programs established both here and in the United States.

Mrs. Imelda Romualdez Marcos, wife of the President, and governor of Metro Manila, has said: "I am glad it was the United States that came to us (as colonial ruler) because of the effective transfer of multinational technology and science. Our American experience may have divorced us from the rest of Asia, but it made us go ahead."

now reside in the United States, and that the number increases by 30,000 annually.

The relationship is a difficult one, however. How does a developing country with pretensions of being a spokesman for the Third World accept the fact of foreign bases on its soil and continued tutelage from its former master? The bases are of no military value to the country, according to President Marcos, and yet, according to him, in the interest of the regional balance of power he is willing to allow them to remain. If the price is right.

Guarantee

The price, according to Mr. Marcos, should not only be an annual payment in rent and aid, but also a guarantee of military intervention should Vietnam try to push the Philippines off the oil-rich Spratly Islands. There already exists a military assistance pact and a mutual defense treaty.

Guarantee

between the two countries, but Mr. Marcos has complained that neither of them lives up to the needs of his country. The Spratleys, which lie in the South China Sea almost equidistant between the Philippines and Vietnam, are contested by China and Taiwan in addition to Hanoi and Manila, but only the latter two have significant military forces in the area.

Mr. Marcos, in December, 1976, turned down a U.S. offer of \$1 billion in economic and military aid over five years for the bases.

Mrs. Marcos: 'I am glad it was the United States that came to us (as colonial ruler) because of the effective transfer of multinational technology and science. Our American experience may have divorced us from the rest of Asia, but it made us go ahead.'

Last year he told an interviewer that military aid alone could run to "a few billion dollars" if the United States were to supply all of the needs of the Philippine military.

Under martial law, the size of the Philippine military establishment has trebled from 60,000 men to 180,000. From 12 combat battalions in 1972, the country now has 60, and the long-range plan is for 135 battalions. Additionally, there are some 70,000 Civilian Home Defense Force militiamen and 45,000 municipal

policemen, all of whom are now under direct military control. There are also 20,000 private security guards who are private to the military for emergency call up. Thus, total available forces now number some 285,000 armed men.

The United States has provided, in aid and sales, most of the equipment for the military expansion. A new arms factory, constructed with a U.S. Export-Import Bank loan, manufactures M-16 rifles for the expanding forces. The United States provided some 40 warships from Indochina war surplus to the Philippine Navy, making it "the fastest growing navy in Asia," according to a member of the Joint U.S. Military Advisory Group (Jusmag). The U.S. government also recently approved the sale to the Philippines of a squadron of F-8 "Crusader" jet fighters.

The rapid military build-up has led to large increases in the military budget. From a pre-martial law (fiscal 1973) P530 million (\$129 million), the military

allotment grew to P2.9 billion (\$622 million) in fiscal 1976 and to P6.0 billion (\$975 million) in fiscal 1977—or 20 per cent of the national budget. Meanwhile, the education and culture portion of the budget has decreased to 10 per cent from a high of 30 per cent. Additionally, P1 billion (\$270 million) has been set aside for a five-year military modernization program that began in 1975.

Philippine military planners explain that the main focus of the build-up is counterinsurgency. Fifty of the combat battalions (plus 64,000 militiamen) are deployed against the 10,000 Moro National Liberation Front guerrillas fighting for Muslim autonomy in the south. Five battalions of militia and provincial constabulary forces are fighting the 3,000 New People's Army guerrillas from northern Luzon to eastern Mindanao. Most of the navy and air force is also deployed against the Muslim guerrillas.

The new agreement on extended use of the military is expected to boost these considerably. Although the bases agreement, signed in 1973, doesn't expire until 1991, negotiations on a new pact by 1976 in deference to the expected early retirement of Mr. Marcos, and final

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Land Reform Is Bogged Down In a Largely Rural Setting

(Continued from Page 1)
the incidence of TB here is the highest in the world. The high rate of pneumonia is generally viewed as an effect of the prevalence of malnutrition. The government reports that 60 per cent to 70 per cent of all Filipino youngsters are malnourished. Mrs. Marcos has set up a nutrition center, which strives to teach mothers how to prepare more nutritious meals according to data held by the Department of Agriculture. Nutrition seems to be caused mainly by the purchase of the most expensive foods. According to data, food intake, especially protein foods such as fish, eggs, soy and meat, has declined markedly. The government has spent more on nutrition, but the situation has not improved. The data shows that the average Filipino family is eating less adequately now than it did five years ago. Data recently released by the last (1975) census show that prior to martial law (1971), average family spent 83.7 per cent of its budget on food. By this figure has increased to 86 per cent, while families have increased for the higher food by scrapping on housing, clothing, household operations, family festivities, according to the census data.

The double-digit inflation under martial law is generally believed to be caused by deficit military spending and large domestic and foreign borrowing. At year-end, foreign debt stood at \$8.5 billion, up from \$2 billion when martial law was imposed in 1972. For creditors are the United States, the World Bank, Japan, the Asian Development Bank.

Age earners, whether blue- or white-collar, have not been to gain salary increases to combat the inflation. In the case of white-collar workers, real wages declined by one-third since Marcos became president in 1965. Most of the decline has since martial law. Under martial law, strikes have basically outlawed, which is one reason why wage increases have been less frequent. There have been hints of illegal strikes, however. Thousands of workers have been temporarily detained by the military. For the middle-class white-collar workers, the 1975 census

Rights and Rice

Former Foreign Secretary Salvador P. Lopez, recently attacked these contentions. "It is argued that it may be necessary to sacrifice individual rights to advance the common good... What usually happens [however] is that even though Juan has been deprived of his [rights], Pedro is still without his full bowl of rice... The chances are that if a man opts for food without freedom, he will end up without food as well as without freedom."

Still, many people have done amazingly well during the five years of martial law. These are mainly the big business elite and the people who work for them. New car sales are about 35,000 annually, mostly of small family cars for the young technocrats and middle-managers working for government and the business elite. Small houses in new subdivisions are filling up with these same families.

In Manila, new cafés, boutiques, and shopping centers do a brisk business among the elite and the rising technocratic class. Resorts, tennis clubs, health and reducing salons are a growing aspect of life under the government's New Society.

Probably the most notable fea-



A terrace of rice paddies deep in the country.

ture of this New Society is the new Manila. From an agglomeration of working-class neighborhoods a decade ago, Manila has become a beautiful skyline of new hotels and plush office buildings alongside an ever more polluted bay. It is a city designed to attract foreign investors and foreign tourists—and it has done well in this regard.

But it has also taken a disproportionate share of the government's expenditures. The 14 new hotels plus a convention center cost about P4.5 billion (\$608 million), mostly in government loans that are now being defaulted. Manila gets the lion's share of monies for roads, electricity, communication, aviation, and government housing. Likewise, Metro Manila residents account for 50 per cent of all appliance purchases in the country, and 80 per cent of all car pur-

chases. But it is the provinces, with their forests, mines, plantations and fish, which produce most of the country's wealth.

The imbalance in infrastructure has caused Manila's population to grow at 5 per cent annually, fuelled by rural folk attracted by the wealth and government-supplied services. (In comparison, the national population growth rate is given as 2.6 per cent.)

Two Major Goals

In the past few years, rice farmers have notched gains in real incomes, thanks to increased production spurred by the government's successful program of providing easy credit to rice farmers for fertilizers and pesticides. However, purchases by farmers of durable goods such as clothes and radios send the money right back to Manila be-

cause that is where most of the country's goods are produced.

One of the regime's leading thinkers, Osmore D. Corpus, president of the state-run University of the Philippines, once said that the two major goals of the New Society were the lessening of inequalities in personal income and in regional wealth. He noted that the first goal was still too difficult to tackle, and the second one, although being attempted, was seemingly not getting any nearer.

Some of the attempts are worth taking note of, however. Chief among these is the attempt to set up regional planning. The long-range goal is to disperse industry (and the infrastructure that supports it) among the country's 13 regions. Prior to martial law, there was little planning of any type, and if a town or a province was given a new road or an electrification system by the national government, it was because a particular local official or congressman from that area had political clout. Under martial law, road building, electrification, and irrigation programs are planned by regional and national planning staffs. (The 13 regions cover the country's 75 provinces.)

Regional planning staffs now assess the infrastructure needs of their respective regions, and submit detailed programs to the national government for further study and final inclusion. If approved, into the national budget. Observers feel that this sort of coordinated planning would never have been possible in so short a time had it not been for martial law. However, they also feel that as Mrs. Marcos is the voice of Metro Manila, the lesser voices of the outlying regions will continue to be heard.

Foreign investment jumped from a pre-martial law (1972)

level of \$43 million to \$73 million in 1973 and a high of \$198 million in 1974. Overall, foreign investment has exceeded domestic investment under martial law.

This has helped to form a new elite notable for its close links with the First Family, as well as its ties to foreign capital. Chief among this elite are Roberto Benedicto and Hernando Diñal.

Mr. Benedicto was a fraternity brother of the President, and under martial law is the president's man in the nation's lucrative sugar industry and sugar trade. He has also become a media and hotel czar, as well as controlling firms dealing in banking, shipping, sugar mills and a gambling casino. His chief foreign tie is with Marubeni Corp. of Japan.

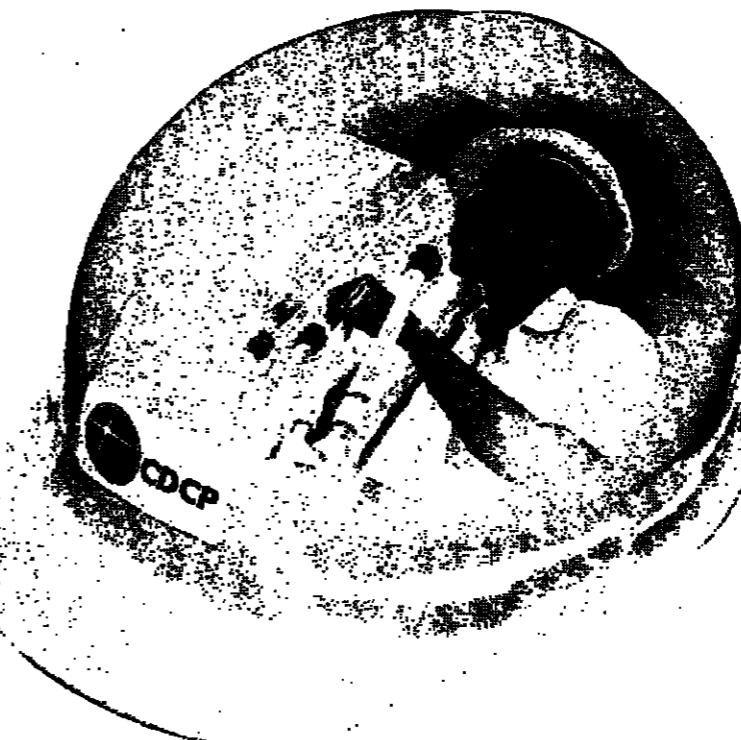
Mr. Diñal is a cousin of Mrs. Marcos by marriage. According to Westinghouse Corp. of the United States, he was instrumental in helping them secure the prime contract for the \$1.1-billion nuclear power plant now being constructed outside Manila. His fee was reportedly "a few million" dollars. He controls a conglomerate of firms involved in cigarette filters, banking, textiles, computers, airline charters, heavy machinery sales, and construction. He has ties not only with Westinghouse, but with Japanese and Swiss firms as well. Nevertheless, both Mr. Diñal and Mr. Benedicto recently lost their foreign banking partners.

The Marcoses themselves have grown wealthy during their years in the presidential palace, though it has never been revealed how this has come about. A U.S. magazine (Cosmopolitan) judged Mrs. Marcos one of the ten richest women in the world. As for Mr. Marcos, his family's foundation last year donated \$1.5 million to an American university (Tufts) in exchange for the endowment of a professorial chair in his name.

Neither the President nor his wife were considered wealthy when they entered the palace in 1965, and in fact had to rely on funds from the oligarchs to carry on their first and second presidential campaigns. One Filipino politician explains the rationale for their buildup of wealth: "Wealth is necessary in order to exercise political power."

—R.W.

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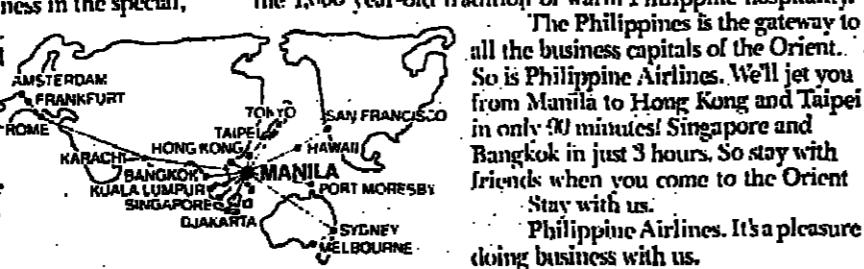
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Transport Is Needed for Dispersing Industry and Population

By Bernie Ronquillo

MANILA (IHT).—The distressing daily traffic jams in this city would seem to show that Filipinos have suddenly become a nation of car owners.

Actually, the Philippines has only about half a million motor vehicles, or one for every 90 persons, according to records of the Land Transportation Office. But most of these vehicles, especially the autos, are concentrated in the Manila area where more of the affluent Filipinos live. With the expansion of Metro Manila to include four cities and 13 municipalities, close to 20 per cent of the 45 million Filipinos will by now be residing in the capital city.

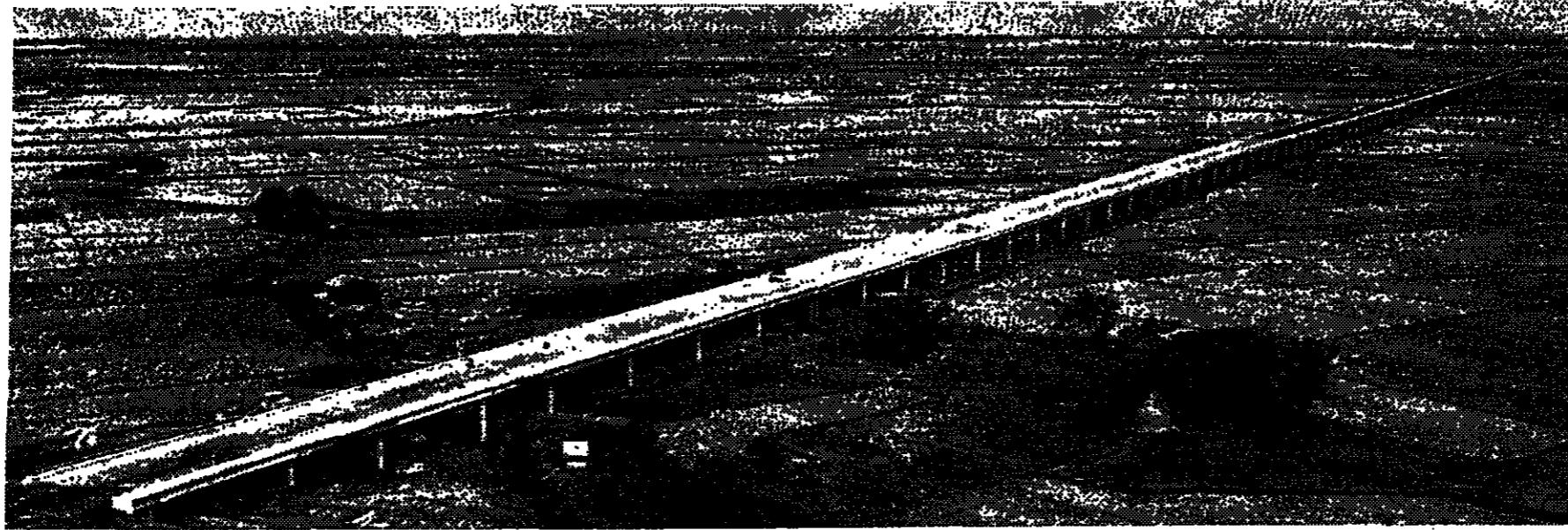
Efforts are now being exerted to disperse industrial growth and population. Government policy on infrastructure development seeks to continue giving stress to the construction of roads and bridges in the provinces in order to open new areas for agricultural production and the setting up of new industries all over the country.

President Ferdinand E. Marcos' top policymakers have called attention to the fact that in the first ten years of his administration (1965-1975) the Marcos government has constructed more roads, bridges and other infrastructure than have all past administrations from the Spanish and American regimes to the previous administrations under an independent Philippine Republic.

Based on existing plans, which cover a 25-year period to the year 2,000, the Philippines is just beginning to hit its stride in highway construction. The Five Year Plan (1973-1982) alone envisages the construction of 31,528 kilometers of roads and 53,763 linear meters of bridges at an estimated cost of \$14 billion. This plan calls for the completion in 1978 alone of 6,000 kilometers of roads at a cost of \$250 million.

Rural Roads

The Secretary of Public Highways, Batasang Aquino, has predicted that by the year 2,000 the country will have built about three times as much mileage of roads as it has now. This will bring the ratio of roads per square



kilometer of land area from 0.39 today to 1.3 in another 22 years. Emphasis, according to the highway secretary, is being given to rural road networks, and to maintenance of heavily traveled roads to keep such facilities in good operating condition and minimize the need for large capital outlays for new construction. Last year the department boasted a 99 per cent rating in the completion of road projects costing \$224 million. Among the most notable was the completion of the \$54-million Manila North Expressway extension from Bulacan to Angeles City (Pampanga Province) on Luzon island, the Cagayan Valley road and the Urdaneta-Dagupan-Damortis highway, also on Luzon.

When the Pan Philippine highway is completed, a motorist will be able to travel from the northernmost point on Luzon to the southernmost point on Mindanao island. After driving to the southern tip of Luzon island, he will be ferried to Samar island, which is separated from Luzon by the San Bernardino Strait. Then he drives to Leyte island by crossing the new one-kilometer Marcos Bridge. From southern Leyte he again takes a ferry that will take him to Surigao on Mindanao island from which point he can continue driving south.

Included in the five-year road-building program are the construction of ferry boats and terminals for the Pan Philippine highway, construction of 1,605 kilometers of major and feeder roads under the third and fourth World Bank lending programs, construction of 1,000 kilometers of access roads under the Philippine-Japan highway loan project, and many more road, bridge and airport runways all over the country.

An archipelago of over 7,000 islands and islets, the Philippines'

next biggest need after roads and bridges is an adequate maritime fleet that will bridge the various island groups and move goods speedily and at reasonably low cost. The current lack of shipping facilities and the consequent high cost of moving cargo from one point of the archipelago to another deter a faster pace of economic activity and contribute to making many Philippine products less competitive in the world market.

Although tonnage of ocean-going vessels grew from 710,000 deadweight tons in 1976 to 1.19 million dwt in 1977, this is hardly making a dent on the critical problem of replacing obsolescent vessels and expanding the overseas as well as inter-island shipping facilities so as to promote the country's domestic and foreign trade. Philippine flag carriers account for only about 10 per cent of the country's foreign commerce. Because of the dearth of bottoms, Philippine shippers continue to complain of the high cost of transport in both the inter-island and overseas trade. It is also claimed in local shipping circles that more than half of the inter-island vessels are more than 20 years old and need replacement.

To remedy this problem, the government has embarked on a

program to improve harbor and

port facilities and augment and modernize the country's maritime fleet. A new international port is being developed in the Manila North Harbor, which heretofore has been used exclusively by inter-island vessels. The Philippine Ports Authority, created to take over the operation of some 316 ports in the country from the Bureau of Customs, is now managing and supervising activities in 618 public and 200 private ports, piers, wharves and berthing facilities located mostly along the trading and industrial coastal areas.

Joint Venture

The Maritime Industry Authority, for its part, has launched a 10-year development program costing \$135.5 million that calls for, among other things, the acquisition or construction of over 40,000 gross tons of inter-island passenger and cargo vessels; 12,000 gross tons of barges, lighters and tugboats; and 220,000 gross tons of ocean-going ships. A private corporation, Batan Shipyard and Engineering Co.

(Baseco), which took over the government-owned National Shipping and Steel Corp., is going into a joint venture with two state corporations—Lucena Stevedoring Corp. and National Development Co.—to establish a major ship-building facility at the Batan Export Processing Zone capable of building vessels of up to 20,000 deadweight tons. The company will be producing vessels no lighter than 3,000 dwt, and it is scheduled as its first project the construction of a 6,000-dwt cargo carrier.

For a developing country, the Philippines may be said to have been quite far ahead of similarly situated countries in the development of air transportation. In prewar days when the Philippines was still a colony of the United States, there were at least two air transport companies operating, one flying single-engine planes between the neighboring Islands of Iloilo and Negros and the other flying between Manila and Baguio City on Luzon island. The latter was later to become the Philippine Air Lines (PAL), the national flag carrier that now

operates international flights to Europe, the United States, and within Asia.

Up to the early seventies, two other airlines were competing with PAL for the domestic airline traffic—Philippine Orient Airways and Air Manila, both of which had plans of going international. All airlines were losing in their domestic operations, with PAL generally making enough money in its international and servicing operations to offset its losses on the inter-islands routes. As part of its policy to rationalize the operations of the industry, the martial-law government decreed that there should be only one airline to serve both the domestic and international routes. PAL was absorbed by PAL and Air Manila was permitted to operate only as a charter airline.

Open Skies

Last year PAL's ownership and management passed from private to government hands. The reason for the decision of the private owners headed by Benito Toda Jr., the airline's pres-

ident, to sell out to the government was that they did not have the resources to finance the airline's expansion. Besides, the airline's interests and those of the government were in conflict. The government, after fully debating for some time, finally adopted the "open skies" policy for the airlines to support its program of building up the country's tourism industry. PAL feared competition from the foreign, especially American, airlines and wanted to restrict their flights to the Philippines. After the government acquired the private owners' share through takeover by the Government Service Insurance System (GSIS) Chairman and General Manager Roman Cruz Jr. succeeded Mr. Toda as president of PAL.

Under this more liberal policy toward foreign airline participation in the Philippines' international flight services, the Philippines has been able to have weekly flight frequencies from 200 to 300. It is proposed to boost this total to 400 in a week in order to attain the Department of Tourism's target of bringing in at least one million tourists by 1980.

The Philippine Long Distance Telephone Co. is an expandable version of a prewar company that is today one of the most profitable among the country's top 10 corporations. But it has not grown fast enough in its facilities to catch up with the much greater requirements of a burgeoning population.

Although it services most of Metro Manila and accounts for some 83 per cent of all telephones in the country, PLDT's total telephone lines of less than half a million are considered hardly adequate to meet the mounting demands of a rapidly growing economy.

Siemens AG of West Germany recently won a contract to supply PLDT with some \$100 million worth of equipment for its expansion program. This project will however only about 50,000 telephone lines in the Manila area in 10 years time, or by 1990.

Despite Setbacks, Trade Balance Improving

MANILA (IHT).—Despite setbacks in the world market for its leading commodities in 1977, the Philippines was able to increase export earnings by 17 per cent to a total of \$2.5 billion last year.

At the same time, the increase in imports was only 5 per cent, to \$3.2 billion. This latter development, although it reduced the trade deficit to \$677 million from \$877 million in 1976, was viewed with some dismay since it confirmed a slackening of industrial expansion through a reduction of plant imports. The World Bank, in consultation with the Philippines government, has suggested that imports should be allowed to increase by 16 per cent annually, while exports must increase by 16 per cent per annum.

The trade deficit last year was offset by invisible foreign exchange earnings from tourism and labor exports. When additional dollar inflows from investment and loans are included, the balance of payments shows a \$70 million in the black. This is a turnaround from 1976's balance-of-payments deficit of \$161 million.

With prices of sugar and copra expected to recover this year, Philippines export earnings are projected to exceed \$3 billion for 1978. But the Philippines is likely to show a trade deficit until 1980 because imports, which continue to run ahead of exports, will rise further to over \$4 billion in 1978. This is because the country's total petroleum import bill is expected to rise further and because the government is stepping up its infrastructure program, which will require increased imports of machinery, equipment and producer goods.

The pattern of the country's foreign trade has improved in the last decade or so. This has been due largely to conscious government policies aimed at diversifying markets and expanding the list of exportable products and sources of supply. On the whole, foreign trade has grown steadily at an average rate of approximately 10 per cent annually despite unforeseen adverse developments like the quadrupling of oil prices since 1973, which has affected the growth of export industries, and the setbacks suffered by such major pillars of the economy as sugar, copper and other primary products.

The main objective of this trade arrangement was to make the Philippines less dependent on the U.S. market and consequently oblige the country to diversify its markets and also its exports.

At the start of this new arrangement, Philippines trade with the United States accounted for 70 to 80 per cent of the country's total overseas commerce. Today trade with the United States accounts for less than 30 per cent of the total, with 28 per cent of total exports still going to the United States but only 22 per cent of Philippine imports being supplied by that country in 1976.

The gradual diminution of tariff preferences for Philippines products entering the United States, and the end of special rates on July 4, 1974, made it necessary for the Philippines to develop new markets; while the termination of preferential treatment for American products entering the Philippines had made imports from other countries, especially from Japan and other capital-goods manufacturers, more competitive in the domestic market.

The country to have benefited most by the tapering off in U.S. preferences on the domestic market is Japan, which now supplies about 27 per cent of the Philippines' imports but absorbs only about 24 per cent of Philippines exports.

Unlike trade with the United States, which gives the Philippines a comfortable surplus (exceeding \$100 million in 1976), trade with Japan resulted in a sizable deficit for the Philippines, hitting the \$355-million level during that same year.

Also, while the bulk of Philippines

exports to the United States consists of processed or semi-manufactured products like copra oil, sugar and garments, exports to Japan are largely raw materials like copper and other base metals, copra and logs.

The European Economic Community (EEC) has increased its share of Philippine trade, taking about 19 per cent of Philippines exports and supplying 12 per cent of imports in 1976, likewise turning the trade balance into the Philippines' favor.

Mainly because of the quadrupling of oil prices the Middle East countries now supply some 17 per cent of the Philippines' total imports while taking only about 3 per cent of this country's total exports. Of the Philippines' total oil import bill, exceeding \$1 billion for 1977, from 85 to 90 per cent was supplied by Middle East countries, particularly Saudi Arabia, Kuwait, Iraq, Iran and Bahrain.

The Socialist countries, especially the People's Republic of China and the Soviet Union, are now increasing their share of the Philippines' overseas trade, accounting for over 3 per cent of the total in the last two years. About 6 per cent of Philippines exports are absorbed by the Socialist states, but less than 2 per cent of Philippine imports are supplied by these countries.

Trade With Asean

Because most of the potentially large markets in Southeast Asia are developing countries and primarily agricultural, trade among them has remained negligible. The Philippines until a year ago was exporting less than 5 per cent of its products to the other members of the Association of Southeast Asian Nations (Asean). It was importing about 70 per cent of its requirements (largely oil from Indonesia) from its neighbor countries.

The members of the Asean, however, hope to develop a common market among their combined quarter-of-a-billion people and have decided to establish limited preferential trade among themselves starting in 1978.

Through negotiation and voluntary offers, the five members of the regional bloc—Indonesia, Malaysia, the Philippines, Singapore and Thailand—agreed to give one another preferential treatment on over 500 commodities.

But it will probably take more than a decade before the effects of preferential trade will boost the exchange of goods and services among the Asean states to a level that would approximate trade with the United States, Japan or the EEC. However, through a broadening of the list of commodities now accorded preferential treatment and growing industrialization in the region, trade among the members of the Asean could grow rapidly and a proper sustained industrial development in the region.

The shift from exports of raw materials and primary products to industrial goods has been slow. Most of the Philippines' exports still consist of primary products like copra and by-products, sugar, metallic minerals, logs and wood products, and agricultural commodities like tobacco, tobacco and pineapple. The export last has expanded in recent years, but two of the notable new exports are still agricultural products, bananas and coffee.

Export Prospects

Sugar continued to be one of the biggest dollar earners last year although earnings from this item fell off compared with the previous year because of lower prices. The year 1978 is expected to start picking up and sugar will likely remain the second leading export. Coconut oil has already superseded sugar as the primary foreign exchange earner and is expected to be the leading export in the next few years.

Lumber and plywood will replace logs as a major dollar earner, just as coconut oil has superseded copra as the leading export, because of government policy to discourage exports of raw materials in favor of processed goods.

In another decade earnings from exports of processed or manufactured goods are expected to exceed earnings from exports of primary products. This is considered logical since manufacturing is expected to surpass agriculture in its contribution to the gross national product in less than ten years.

Philippine official policy is to strengthen trade relations with traditional trading partners like the United States, Japan and the EEC while developing trade with non-traditional trading partners like the rest of the world. This is the reason why current talks are being conducted to improve trading arrangements with the United States to replace the expired Laurel-Langley Agreement and with Japan to get that country to buy more processed goods instead of mainly raw materials.

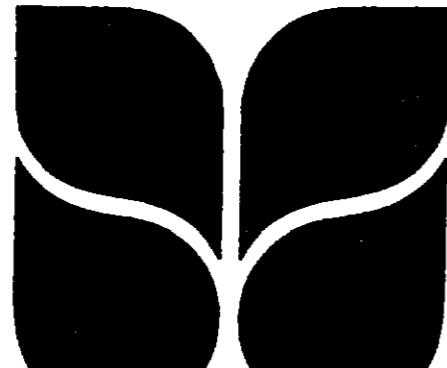
At the same time, the Philippines is exploring new trade frontiers to expand its country's international trade horizons. Last year the Philippines increased its trading partners to 160 countries, compared to only about 130 a year before. It had surpluses in its trade with some 98 countries and deficits with 62, although overall the Philippines continued to incur a trade deficit.

—E.R.

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Sources of supply for capital and producer goods that the Philippines needs for its industrial development program have

increased its trading partners to 160 countries, compared to only about 130 a year before. It had surpluses in its trade with some 98 countries and deficits with 62, although overall the Philippines continued to incur a trade deficit.

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The 1970s See a Marked Increase in Japanese Investment

(Continued from Page 1)
creased in the 1950s and 60s, with Japan's exports finally overtaking U.S. exports in 1970. Japan in fact today remains the principal trading partner of the country, with the Philippines on the losing end with an annual deficit of \$100-300 million ranging since 1976.

Philippine exports to Japan have been mainly vital raw materials for Japanese industry, such as copper concentrates, gold, silver, chrome, logs and lumber. Lately, Philippine agricultural and marine products such as molasses, copra, bananas, and shrimp have also become dependent on the Japanese market.

On the other hand, most Philippine imports from Japan have been machinery, basic metals, transportation equipment, chemical and textile raw materials to meet the needs of major Philippines industries, particularly sugar, textile, cement and steel.

Much of Japanese equity capital today is in local joint ventures either in import-substitution or export-oriented industries, both of which match the thrust of Philippines industrialization policies. The import-substitution industries include the assembly and manufacturing of automobiles, appliances, machinery and synthetic fibers. The export-oriented include coconut-processing (into copra or oil), mineral-processing (into zinc, iron, and copper), and garments. The usual minority share (30-40 percent) of the Japanese is obviously misleading in such joint ventures since the Japanese control the technology, and in most instances provide a major portion of the non-equity financing.

Collaboration

The Japanese generally collaborate with American capital and enter sectors either as junior partners of the Americans, or sectors in which the Americans are pulling out.

The Japanese, for instance, now play the major role in the country's car industry. Delta Motors, which is owned by the Silvano family and is heavily tied up with Toyota through technical and financial agreements, enjoys a 40 percent market share. The growth of Delta has largely

been due to its being a recipient of Japanese reparations as well as of Philippine government orders. Delta recently concluded a tie-up with Maschinenfabrik Augsburg-Nurnberg for the local manufacturing of MAN's diesel engines. Chrysler Philippines, which accounts for 25 percent of domestic auto sales, was a wholly-owned subsidiary of Chrysler (U.S.) until 1970. It is now a joint venture among the Yulo family (65 percent), Mitsubishi Motors (15 percent), Nissho-Iwai (15 percent), and Chrysler International S.A. (Swiss, 5 percent). Both the Silvano family and the Yulo family are extremely close to the presidential palace.

The Japanese are also active in the electrical appliance industry. Precision Electronics, the leading appliance manufacturer in the country, is owned by the del Rosario family and Matsushita. The second leading company, Philippine Appliance, formerly a Westinghouse subsidiary, now

markets Mitsubishi-brand television sets. The third-ranking Hitachi Union is a joint venture between the Ty family and Hitachi. In sixth place, Radiola-Toshiba is a joint venture among the Guevara family (also the local Volkswagen assembler), the Philippine government, and Toshiba.

Having provided most of the machinery since the 1960s, Japanese firms now have substantial investments in the Philippine textile industry. The country's largest synthetic fiber producer, Filippinas Synthetic Fiber, is 40 percent owned by Teijin and Toyo Mekka, while the remaining 60 percent is divided among local groups led by the Palanca family. There are today over 30 Japanese-Philippine joint ventures in the industry.

Apart from its penetration into leading manufacturing firms of the country, Japanese capital acquired minority positions in two other strategic sectors: mining and banking-financing. The Japanese have holdings in the country's leading firms, all of which already have substantial American equity: Atlas Consolidated Mining, Marinduque Mining, Philex Mining and Inco Mining. The Japanese role in mining is significant considering that most of these firms output is exported to Japan through Japanese trading firms investing in them.

Taking advantage of the government liberalization, the Japanese have invested in three local commercial banks, all of which again have American capital: First Commercial Banking (Continental Illinois Bank and Sanwa Bank), Far East Bank & Trust (Chemical Bank and Mitsui Bank), and Dusit Bank of Asia & America (Bank of America and Dai-ichi Kangyo Bank). Other significant American-Japanese partnerships are found in Private Development Corp. of the Philippines (PDCP) (the consortium of some 23 American-European institutions and Bank of Tokyo), and in Ayala Investment & Development Corp. (Wells Fargo Bank and Mitsubishi Bank).

Concentration

While there are today some 470 Japanese-Philippine joint ventures in the country, one-fourth of these account for 98 percent of total Japanese equity investments. Such concentration of large investments and the leading role they play in the Philippine economy could be due to two main factors.

First, most Japanese investments have been made by members and affiliates of the Japanese version of financial-industrial conglomerates. In fact, six Japanese groups alone account for 85 percent of all Japanese equity investments in the country: the Dai-ichi Kangyo Bank (including the Kawasaki sub-group), Mitsui, Mitsubishi, Sanwa, Puyo and Sumitomo groups.

Second, the partners Japanese

businessmen have chosen are the leading financial or industrial groups or families of the country, most of whom also had been, and still are, the major partners of American capital.

For instance, some 25 such Filipino groups have accommodated more than 85 percent of all Japanese capital. Notable among these are the Ayala, Yuchengco, Dee K. Chiong, Dishi, Soriano, Syeip, del Rosario, Silverio, and Yulo groups and families.

A case in point is the Ayala group, one of the oldest and largest conglomerates in the country. This group has close capital ties with leading global corporations such as Royal Dutch Shell, Morgan Guaranty & Trust, Citibank N.A., IT&T, International Harvester, and Westinghouse. The Mitsubishi group however is the Ayala's principal foreign partner in its holding company (Ayala Corp.) and in several other Ayala controlled firms.

Aside from the active participation of established Filipino elite groups in facilitating Japanese investments, the Philippine government has played a significant role, both in terms of administrative and political aspects and in terms of direct government participation in joint ventures such as Philippine Sinter Corp. (PSC), Manila Electric Co. (MPC), Atlas Consolidated Mining, Marinduque Mining, and Radiola-Toshiba.

Four Groups

The rapid but smooth entry of Japanese capital into the Philippines can therefore be attributed to the interests of four different groups: Japanese conglomerates (often in co-partnership with American capital), the Japanese government, Filipino business groups (usually the established local allies of U.S. transnationals), and the Philippine government itself.

The close working arrangements

among them is well illustrated by Kawasaki's two investments here, which alone account for more than half of total Japanese equity investment in the Philippines. The establishment of PSC (100 percent owned by Kawasaki Steel Corp.) could not have been realized without the active participation of the Philippine government. The organization of the PSC was approved by President Marcos himself just a few days after former Prime Minister Tanaka left the country in January 1974. The government-supported Philippines Veterans Investment Development Corp. provided the PSC its plant site by buying and then leasing the land. Financing of this project outside of equity, came from the Export-Import Bank of Japan, while the Japanese-dominated Asian Development Bank provided funding for necessary infrastructure projects such as electricity and roads.

The Subic National Shipyard Corp. on the other hand, is a joint-venture between another government firm (National Investment Development Corp.) and Kawasaki Heavy Industries, with the Overseas Economic Cooperation Fund of Japan supplying the greater part of the project cost. This ship repair facility, presently under construction, is located in Subic Bay, close to the U.S. naval base.

Japanese business interests in the Philippines have grown to the point where the Japanese government has started to express its desire to enter into negotiations with the Philippine government on the matter of insuring Japanese investors from political risks such as war, revolution, insurrection and policy changes remittances and fund conversions.

The Philippine government, on the other hand, is rather unhappy over the slow progress of negotiations to revise the trade treaty. In separate tax treatises, the Philippines is demanding higher withholding tax rates for Japanese investors' earnings. In the renegotiation of the trade treaty, Philippine demands focus on safeguards against unilateral Japanese import cutbacks, and as those which occurred in 1971 when Japan reneged on some import contracts.

Among Foreign Interests the U.S. Is Still the Biggest

(Continued from Page 1)
\$5.50-to-1 peso exchange rate). The United States accounted for P 3,665 million or over three-fourths of the total. (But current book value is usually said to be \$3 billion.)

Taiwan was a poor second with a contribution of P 166 million, followed by Spain with P 163 million, the United Kingdom with P 101 million, the Netherlands with P 97 million, and the other countries accounting for the balance.

Divestment

The smaller total recorded by the BOI survey probably already reflected heavy capital withdrawal. Substantial divestment mostly by Americans took place in the decade or so preceding the start in September, 1972, of the martial law administration. In that decade, Filippinization legislation seemed to be the preoccupation of Congress, and restriction or even confiscation of foreign investments was a favorite theme not only in many sectors of private and broadcast media but also in some sectors of local business.

Of the new foreign investment recorded by the central bank (in

the February 1970-September 1977 period), some 22 percent went to the banking-finance sector in response to a government invitation to foreign investors to help in the capitalization build-up of local banks and non-bank financial institutions as minority equity partners. Over 50 percent went to manufacturing, mostly export-oriented ventures; 9 percent went to mining; 7 percent to commerce, 4 percent to services and the balance to other sectors.

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The rice and corn industries were de-Filippinized except for their retail trading aspects. And while retail trade Filippinization continued, the definition of what was "retail" was changed so as to exclude certain activities deemed by foreigners as non-retail. This cushioned the impact on foreign, particularly American, investment of a pre-martial-law Supreme Court ruling which not only banned any foreign individual or any entity less than 100 percent Filippino-owned from retail trading but also extended the prohibition to wholesale and industry-to-industry trading.

Softened Impact

Foreign investors in areas covered by the 50-percent-minimum Filipino ownership requirement were allowed to sit as corporate board directors. This softened the impact of another Supreme Court ruling—a ruling which allowed non-Filipinos to invest in the above-mentioned areas but banned them from representation in the corporate decision-making body.

Oil exploration was also opened to foreign participation under service contract terms. While foreign investment was limited to 40 percent in the fish-catching phase of the fishing industry, the ceiling was removed in the fish-buying, freezing and canning as well as in canned fish marketing operations. Incentives were granted to multinational corporations setting up their Asia-Pacific regional offices in the Philippines. Visa and certain other requirements were relaxed for foreign traders, investors and tourists. And so were the rules governing foreign capital repatriation and profit-dividend remittances. The withholding tax on such remittances was reduced.

While foreign minority investors in a public utility or a natural resource-based entity can become directors of their organizations, they are not allowed to become officers or, for that matter, even employees—with or without compensation. And a ceiling based on debt/equity ratio has just been imposed on foreign-company access to local credit.

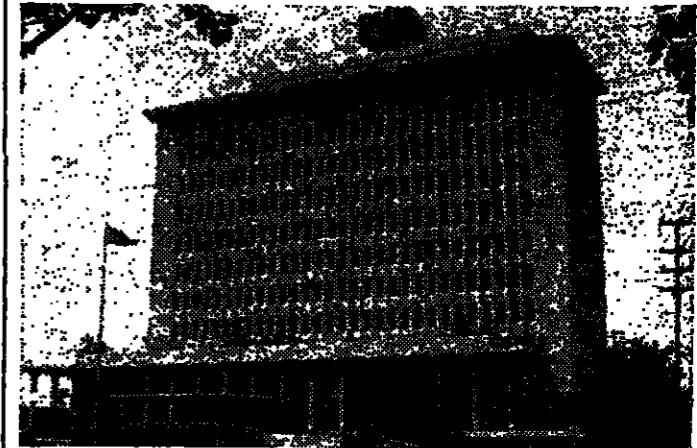
Credit Ceiling

In the face of all this, the complaint of foreign, and particularly American, investors is that many of the changes are being made to apply on existing investment or on already on-stream projects. They cite the restrictions on local borrowings by foreign companies, for example.

Thus, U.S. businessmen, while reconciled to the loss of party rights, are asking for what they call a non-discriminatory policy equivalent to a government guarantee that, once a foreign investor is allowed to take a risk in an area under existing investment rules, similar rules will not be changed vis-a-vis that risk. This proposal is being rejected by the government which regards non-discrimination as just another form of party.

On balance, the American investors are satisfied. Certainly the investment climate has improved, at least compared with what prevailed before 1972.

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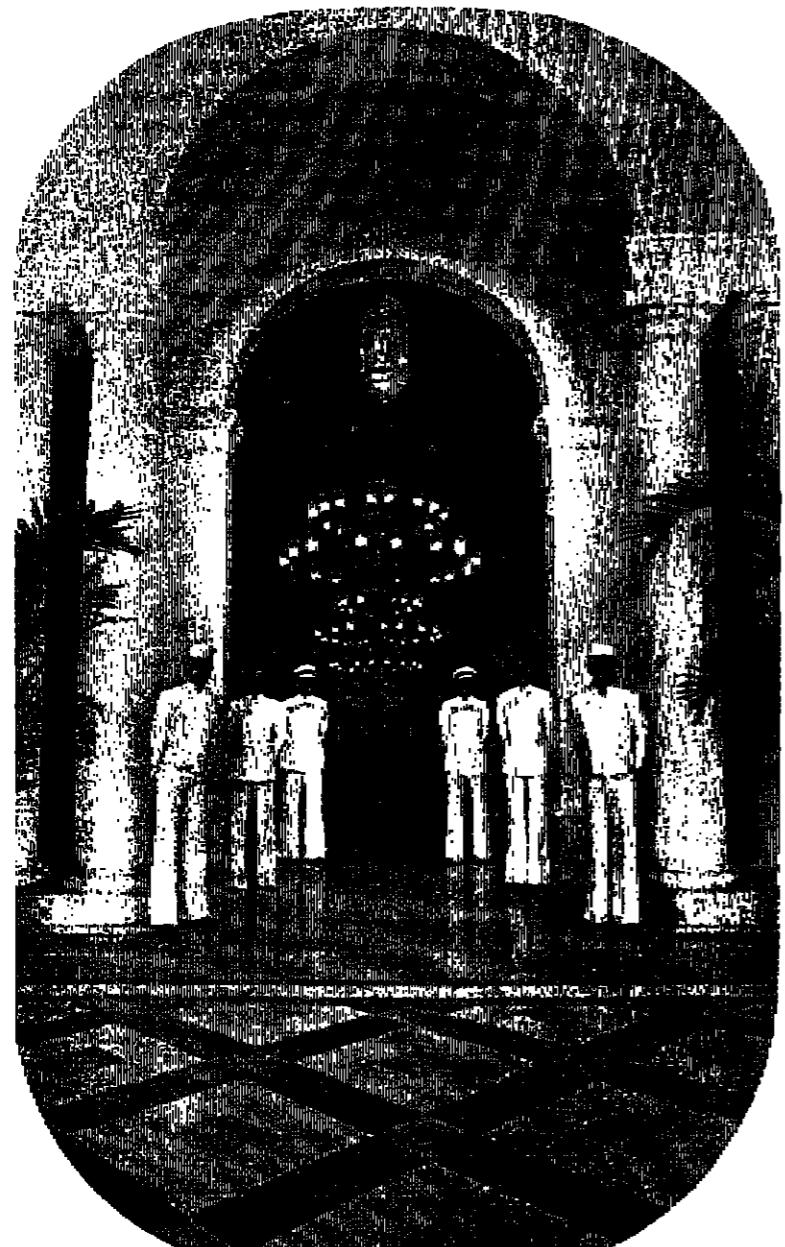
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Tourism: Endless Possibilities to Explore in the Provinces

By Donna Reginsky

MANILA (IHT).—The Philippines did not treat its first European visitors too well. When they were out an initially warm native dispute, the Portuguese explorer Ferdinand Magellan was killed by a Filipino chieftain, and his men were massacred on the beach.

As the years passed, the country's good points were overshadowed by its bad. Who wanted to visit a country with a reputation for violence—daylight hold-ups and nighttime knifings, gun-wars and political feuds?

It is felt that the declaration of martial law changed much of this. The improved country's reputation for hospitality, low prices and scenic beauty have induced many travelers to reconsider the Philippines. Tourist arrivals jumped from 144,321 in 1971 to more than 650,000 last year. And if the Philippine Department of Tourism should manage to meet its target, the figure will reach one million by 1980.

The Action

Nearly everyone begins a Philippine visit in Manila, the country's most popular tourist destination. Though it offers few traditional tourist attractions (most of the historic city was leveled by devastating bombing raids at the end of World War II), Manila has always been where the action is. It has the country's best hotels and restaurants, its swingiest nightspots and biggest stores, its fullest cultural calendar and most outspoken citizens, and its greatest contrasts—between rich and poor, old and new, East and West.

Manila visitors can easily discover this for themselves. Tourists can now take their pick of 15 first-class hotels. The competition among them (most were built only a year and a half ago for the conference of the International Monetary Fund—World Bank and room capacity still far exceeds demand) may be a high-rise pain for the profit-and-loss men, but it is a bonanza for tourists looking for good service and low prices.

In their bid to win customers—Filipino and foreign—Manila's hotels are also engaged in culti-

nary battles with one another and with the city at large. Executive chefs vie in offering the best in continental and oriental food, and even if their efforts are not always successful, they have moved Manila a few rungs higher on the gastronomic ladder.

Competition also extends to the entertainment scene. Hotels, nightclubs and cocktail lounges fight for the best in local talent. The result is to make even livelier a night scene which, with the lifting of curfew last year, is regaining its old reputation as possibly the liveliest, and certainly the most affordable, in Asia.

Shopping is getting better, too. Though Manila cannot offer the duty-free bargains of Hong Kong or Singapore, it is far

from being a handicrafts-only outlet. Spacious shopping centers offer a wide variety of foreign and domestic goods, the latter attractive enough in price and design to induce thousands of Hong Kong Chinese to visit every month to do their shopping. Some of them are even having

their clothes tailored in Manila, finding that the city's couturiers offer fine workmanship at low prices.

Shopping is getting better, too... thousands of Hong Kong Chinese... visit every month to do their shopping. Some of them are even having their clothes tailored in Manila, finding that the city's couturiers offer fine workmanship at low prices.

Their quality varies as does the price. Outlets are numerous, though the best bargains are usually found in large open-air markets.

Handicrafts still play an important part in the Manila shopping scene. Shellcraft, rattan, baskets and woodcarvings are among the most popular items.

popular provincial destinations are already well known to tourists: Tagaytay, on the rim of the Philippines' smallest but most active volcano; Pagsanjan, for shooting rapids; Corregidor and Bataan, where Filipino-American forces made their last stand in 1942 against the Japanese; Ba-

guio, the mile-high city whose crisp climate and pine-clad hillsides give it an ambience more Alpine than Asian; Banate, with the rice terraces some call "The Eighth Wonder of the World"; Zamboanga, an old Spanish fortress town now a small bustling port surrounded by white sand beaches. There are also the Muslim villages on stilts and, sadly, thousands of troops trying to quell the secessionist movement in Mindanao.

As might be expected in a country with a tropical climate and 7,107 islands, the Philippines' primary attraction for many visitors is its beaches.

Some beaches are just the other side of paradise with their white sands, clear waters and colorful sea life. Spectacular diving

grounds abound. The Philippines is the world's main source of decorative and aquarium fish as well as rare and beautifully drawn shells. The richest diving grounds are in northernmost Luzon, especially around Mindoro, on Cabra, Labang, and Busanga Islands; the Bugsuk group of islands off Palawan; and the region around Davao Gulf.

Diving tours are available for both professionals and amateurs. Group rates start at \$20 per person day and include transport, accommodation, meals and rental of equipment.

The country's best beaches are often its most inaccessible, but there are some world-wide exceptions. Balete, off the southwest coast of Luzon, and Stoogon, off Panay Island in the Visayas, are among the most luxurious beach resorts to be found in Asia. Balete has chosen to limit development to a dozen cottages, and admission is to select groups only. Stoogon, on the other hand, will soon have more than 400 rooms. Both resorts offer swimming, snorkeling, diving, water skiing, boating and fishing facilities.

Like many of the more enlightened conglomerates that believe in identifying themselves with the public and attaining sustained growth on a broadening public-ownership base, San Miguel also subscribes to the concept that a corporation must have a social conscience.

San

Miguel, along with the big enterprises managed by Soriano and Company (through their holding company, Anscor Corp. with over 30,000 stockholders), led some 100 foundations in organizing a foundation now known as Philippine Business for Social Progress (PBSP). The PBSP, which came into the picture in the early 1970s when the need for social action projects was becoming urgent owing to growing restlessness among the unemployed and low-income groups, assists depressed or disadvantaged segments of the community. Each of the corporate members sets aside 1 per cent of its gross income before taxes to help fund social development projects such as manpower training and the acquisition of skills among the unemployed.

—B.R.

Not as well developed as Balete or Stoogon but likely to rival them before long is Puerto Aziel, a ten-year, \$100-million project in Cavite province begun in 1976 and due to accept its first guests in 1979. A private project granted a generous government loan as well as publicly financed infrastructure improvements. Puerto Aziel will include a 27-hole golf course, complete sports and recreational facilities and 1,500 rooms (spread out among several small units rather than one large hotel).

Though it lacks a beachfront swimming area, Punta Bahiarte, a two-hour drive south of Manila in Batangas province, is considered by some to be the country's premier resort. Another favorite is Hidden Valley. Located in the forested inner recesses of an extinct volcano, Hidden Valley has five natural pools almost hidden in the jungle greenery.

These are the most well-developed of Philippine scenic attractions. But for a visitor willing to leave behind big-city conveniences and explore on his own, the list of possibilities is almost endless.

A Pioneer Company With Several New Enterprises

MANILA (IHT).—San Miguel Corp., the Philippines' publicly owned corporation, is not only a pioneer in the establishment of several new enterprises, but it is the most diversified food processing and industrial firm in the country today.

Established in 1950 primarily as a beer manufacturer—the first in Southeast Asia—San Miguel for a number of years was consistently the top corporation in sales and earnings. After the fourfold increase in the price of oil, San Miguel lost its premier position as corporate leader to the big oil companies, including the government-owned Bataan Refinery Corp., which is now the top corporation for sales and assets, and to Petrophil Corp., another state-owned firm. In 1977 San Miguel was behind three oil companies (including Philippines Shell) in sales, but was third in earnings.

Starting as a family-owned corporation, San Miguel was incorporated in August, 1913, as San Miguel Brewery and reincorporated 51 years later as a Philippine corporation under its present name. It has branched out since its establishment into the manufacture of some 30 product lines ranging from soft drinks and foodstuffs to construction materials and industrial

products. It processes milk and makes ice cream. It is also engaged in poultry raising, and to assure continued growth and stability of this industry, it went into feed manufacture. It grows rice and corn as part of its agricultural expansion program aimed at developing new sources of raw materials and strengthening an indigenous base for its food processing operations. Soon it will be raising mushrooms for export.

Corporate Growth

In the last ten years alone corporate growth has been phenomenal under the executive direction of the Soriano brothers—Andres Jr. and Jose, president and executive vice-president-treasurer, respectively. Sales rose from \$61.6 million in 1967 to approximately \$338 million in 1977; net profit grew from \$6.35 million in 1967 to around \$27 million in 1977. Ten years ago San Miguel already had 11,000 employees and workers on its payrolls. Today the work force has grown to 21,000 and is exceeded only by the work force of the Philippine government and the U.S. military. The number of stockholders has also grown progressively, from 12,000 in 1967 to nearly 17,000 today.

Taxes paid to government cof-

fers have increased even more rapidly than have dividends paid to stockholders. While cash dividends paid have risen from only \$3.4 million in 1967 to \$2.2 million in 1976, taxes have jumped from \$12 million to \$54 million today. This is a matter which share-holders have invariably raised during every annual meeting. Company sales in 1976 increased 17 per cent over the previous year's performance, but because of rising operating costs and a minimal upward revision in prices of its products, San Miguel's net income improved by only 6 per cent. The company was re-invested about 63 per cent of its net earnings in expansion and modernization.

What has made San Miguel a model in corporate growth is its enviable record as a steadily rising public corporation. Today it has some 17,000 shareholders who continue to enjoy quarterly cash dividend payments at a time when many of the major corporations in the Philippines have had to suspend dividend payments owing to narrowing or disappearing profit margins. When most enterprises in the country were mainly owned, San Miguel was offering shares to the public to finance expansion of existing facilities or set up new pioneering industries. Andres Soriano sr.,

who was president of the company from 1931 to 1974, was credited, more than any other top management man in Philippine business, with propagating the corporate concept as well as with the impressive growth and corporate record of San Miguel. He has often been referred to as the father of the public corporate idea in the Philippines. Subscribing to the business philosophy that progress is possible only through acceptance of change, development of new opportunities and adherence to the sound concept of "profit with honor," the late "Don" Andres, as he was generally referred to in Manila's Hispanized society, started to make changes in San Miguel's manufacturing setup to affect savings in costs with the imposition of duties on many of the imported supplies required in the company's brewery and bottling operations. Among the previously imported items that began to be manufactured locally soon after the last war were the glass containers, metal and plastic closures, labels and other packaging products.

Don Andres, through San Miguel's phenomenal growth and burgeoning resources, carried the public corporate concept further through establishment of new pioneering enterprises that today

are among the biggest widely owned corporations in the country. He conceived the plan of setting up the first large disseminated copper mine (Atlas Consolidated Mining and Development Corp.)—the largest open-pit mine in Southeast Asia; the first integrated pulp and paper plant (Paper Industries Corp. of the Philippines), and a number of other enterprises in which San Miguel has some \$22 million invested with a market value of around \$47 million. These include companies engaged in the manufacture of wire rope, steel drums, polypropylene woven bags, nylons fibers and fabrics, prestressed concrete and cement, coconut oil, coffee, infant foods and flour, and also tourism facilities like hotels.

Overseas

San Miguel may also be considered a pioneer among Philippine corporations that are expanding overseas. A modest multinational by international standards, it has made investments in Hong Kong, Papua-New Guinea, Indonesia and Spain. It also invested in a brewery on Guam but decided to pull out not long after in favor of building new facilities in Southeast Asia and the South Pacific. Its "overseas

investments as a whole (\$2.7 million as of end-1976) have turned out to be profitable, with an estimated market value of \$64 million.

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San Miguel, along with the big enterprises managed by Soriano and Company (through their holding company, Anscor Corp. with over 30,000 stockholders), led some 100 foundations in organizing a foundation now known as Philippine Business for Social Progress (PBSP). The PBSP, which came into the picture in the early 1970s when the need for social action projects was becoming urgent owing to growing restlessness among the unemployed and low-income groups, assists depressed or disadvantaged segments of the community. Each of the corporate members sets aside 1 per cent of its gross income before taxes to help fund social development projects such as manpower training and the acquisition of skills among the unemployed.

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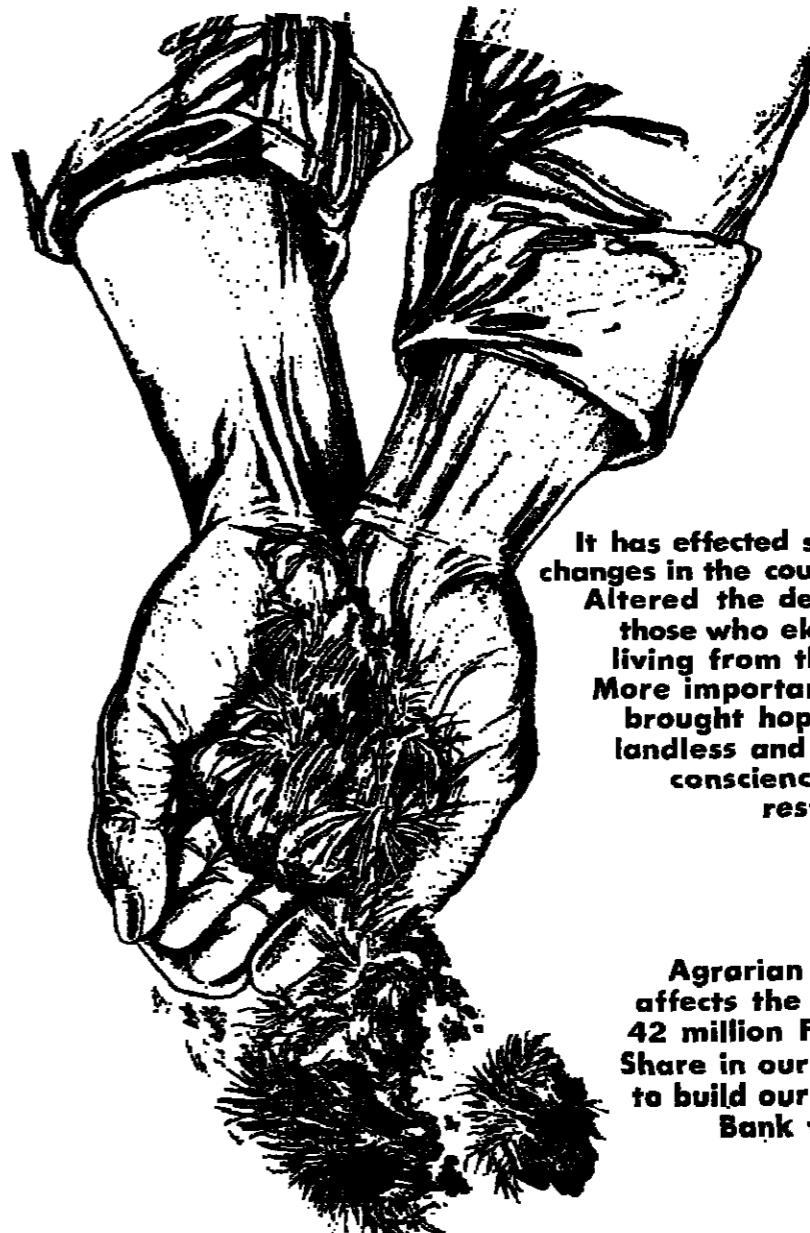
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'My Only Luxury Is to Sleep in the Cool Church on a Hot Afternoon.'

By Mila Lahoz

MANILA (IHT)—We are both Filipinos, you and I. Yet we are not the same. You are far from me, you move in a different world. I'm a farmer, and my world is the rice fields and the meadows. Look at my hands and my feet—they're thick and dirty. But a professional like you, you work in an air-conditioned office. Your hands are soft and fine."

Indeed, Mando the farmer believes that there is a vast difference between himself and myself—the rural and the urban Filipino. Yet most Filipinos all over the country are more alike than Mando thinks. For poverty and survival have marked their daily lives and have bound them to the same basic aspirations and struggles, to similar ways of living and thinking and coping.

Poor but flamboyant, Filipinos live their lives with acceptance and good humor. In the cities, the fatigue of daily life is washed away in beer gardens, amid easy camaraderie and raucous laughter. In the countryside, farmers end their day preening their fighting cocks, gossiping over a gallon of coconut liquor.

Everywhere, abuse is accepted from the top, and passed on to the guy below almost without malice. Jesus and the saints are invoked as benefactors to bring about the miracle of a job, or the recovery of a tubercular husband.

Family and kinship ties are constantly strengthened, a vast net on which to fall back during harder times. And within every Filipino is a fierce will to survive—to keep afloat, and perhaps, to overcome the situation and make a better life.

To make a better life, many Filipinos look for better-paying overseas jobs, and some 100,000 skilled workers a year get them. Leonardo, a construction worker, prays for one of these contracts: "I live at the construction site in order to save on transportation, so I see my family only on Saturday nights. When I leave them on Sunday morning, I pass by the church, and I pray that I'll get a job abroad."

"You see, I have already applied for a construction job. I have filled all the needed papers. I'm willing to work even in Saudi Arabia. If I stay here, I will be



A vendor in a market place.

able to get only enough to eat, to feed my family. But they won't have a good future."

Since not everyone is lucky enough to get an overseas job, Filipinos look to education as the key that will unlock the door to a better life. Ester left the farm at 14, and found work in Manila as a housemaid. Even though her wage is only P90 a month, she says: "I sent a brother through high school, and a sister through a dressmaking course. And now that my brother works as a soldier, he helps send the younger ones to school. I just hope he doesn't get married yet. My sister will also help once she starts to earn as a dressmaker."

"I myself reached only fourth grade, but it doesn't matter. I just want the younger ones to have a better chance, a better life, than mine."

In the struggle to get ahead, it is every man for himself. Mario, a small tobacco farmer, describes how he sells his carefully tended tobacco leaves to the only middleman in town: "I sprinkle fine dust over each leaf, so that they will weigh more. But when the

Chinese buyer appraises the quality of my leaves, he singles out the leaf with the worst color, and quotes a low price for my whole stock, based on that leaf. And I can't sell to anybody else. So we're really cheating each other. Since I know he'll cheat me anyway, I might as well cheat him, while I can. But the Chinese cheats me more than I can cheat him."

In order to make or save an extra peso, no effort is too small, no gain too petty. A big coconut landowner complains: "Of course, my tenants cheat me. They gather nuts on their own, and sell them secretly so that I do not get my share of the money." A bus conductor complains: "The hardest part of my work is to fight the passengers, especially those who try to fool me. Some give me a fare of 50 centavos, and 30 minutes later, while I'm busy with new passengers, they tell me I still haven't given them their change for five pesos. Sometimes it's done in fun, to see if they can get away with it; but when I'm shortchanged, I have to pay the difference out of my day's wages."

Aware that their predicament is shared by many others, Filipinos accept abuse not only with tolerance, but sometimes with understanding. Poll, a car mechanic, has accepted and even absolved the cop who solicits protection money from his garage: "I don't really blame these corrupt policemen—I know their lives are not easy either. Some of them keep

Not even Victor, the blind beggar, is spared: "Those people from the social welfare agency, if they know how to care for the needy, they would not keep for themselves the donations that are supposed to be given to us."

Frivolity

But even while they struggle and scrape, Filipinos retain a sense of frivolity, no matter how small the scale. Manila's entire family works as hired labor in the sugar fields because, as she says: "If you don't work hard, you'll end up buried in debt." Yet she allows her two girls to keep what little they earn, because: "They're young women, they need something for their make-up."

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many women, so they are forced to take from others because their salaries can't maintain all their wives."

"Some of them are useful—like the cop we take care of; he has helped us secure papers and licenses from city hall. Life is like that, you know. If you cooperate, others will cooperate with you. If you help others, they'll help you."

A Key Value

The policeman sees the situation in a similar manner: "I catch a violator, and he pleads for mercy. Now, who is the man who cannot forgive when someone begs and almost weeps before him? I forgive him. And naturally he wants to show appreciation for the favor done. Showing appreciation is a natural feeling. Will I say, 'No thank you and leave it at that? If I refuse the money, it might make the other person feel that I am too proud, and anger him."

Even in a more sophisticated business environment, accommodation is a key value on which people operate, whether it is accommodating a hint for a commission that will clinch a business deal, or accommodating a client's request to put a poor relative on the payroll. For Dunde, a marketing man, "Doing business is mainly a matter of talking to people, pleasing them. Like, just last week, I joined the Muslim religion, because my Muslim clients in the south wanted me to become a Muslim. I had to do that, see, because I didn't want to offend them."

"Here, business habits are based mainly on personality—like, I'm a friend of this fellow, or he's kind to my children, or he's generous to my mother-in-law—so why shouldn't I buy from him? It's not very professional, you know."

While they work in this kind of environment, Filipinos somehow manage to retain pride in their work. When Louises explains how she gets her laundry clean, you know you are listening to a pro: "Most people get their clothes dirty in the sleeves, armpits, collar, buttocks, knees, and ankle cuffs. So I scrub really hard in these places, and rinse with plenty of water."

"Laundrywomen are not all the same, you know. Some just rush through their work, they want to finish right away and get their pay. But if you want to keep your customers, you have to do a really clean job. My customers say I'm a good laundry woman."

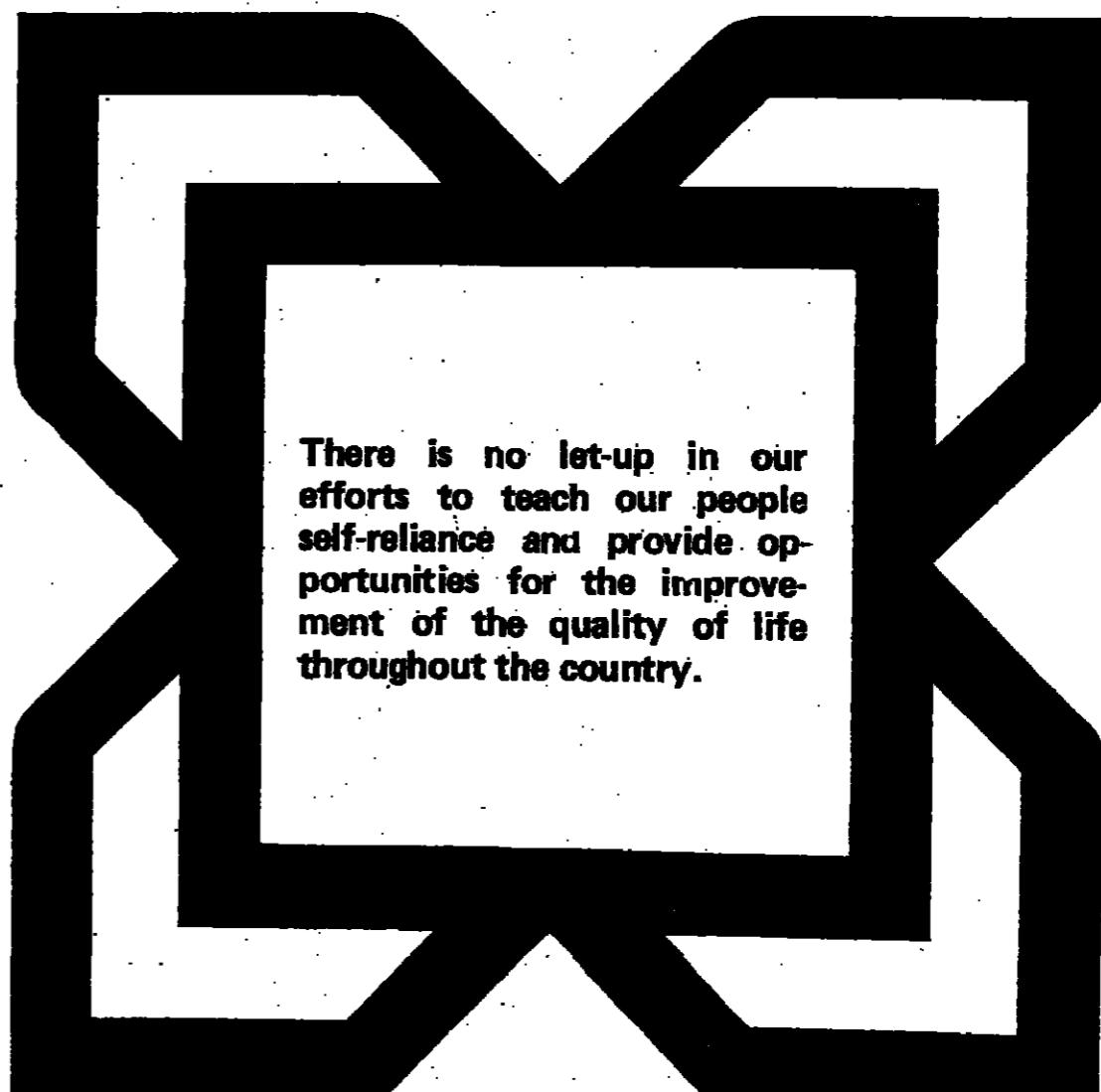


Filipino children mug for the camera.

out either anger or joy, and without analysis. Leah goes to market everyday to buy food for her kitchenette. She notes that "ever since martial law, life has gotten more difficult, because everything is so expensive. Before martial law, a tin of sardines cost 35 to 50 centavos; now it's P1.80. Before, a kilo of tuyo (dried fish, the traditional poor man's food) cost P4; now, it's P10. What can people do?"

To overcome the grimness of real life, Filipinos have sharply focused their sights on little pleasures that they can enjoy. For Iloy, a church caretaker: "My only luxury is to sleep inside the cool church on a hot afternoon." For Mando: "Farm ing is good because of the kinship that exists among the farmers." For Flor: "When I see that my children are not sick, and they are not quarreling among themselves, I am already happy. And also sometimes, when I can take my children out of the house, have some recreation with them, go to the park—that makes me feel good inside already."

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The Bank has 39 branches, 5 sub-branches and 11 agencies throughout the country



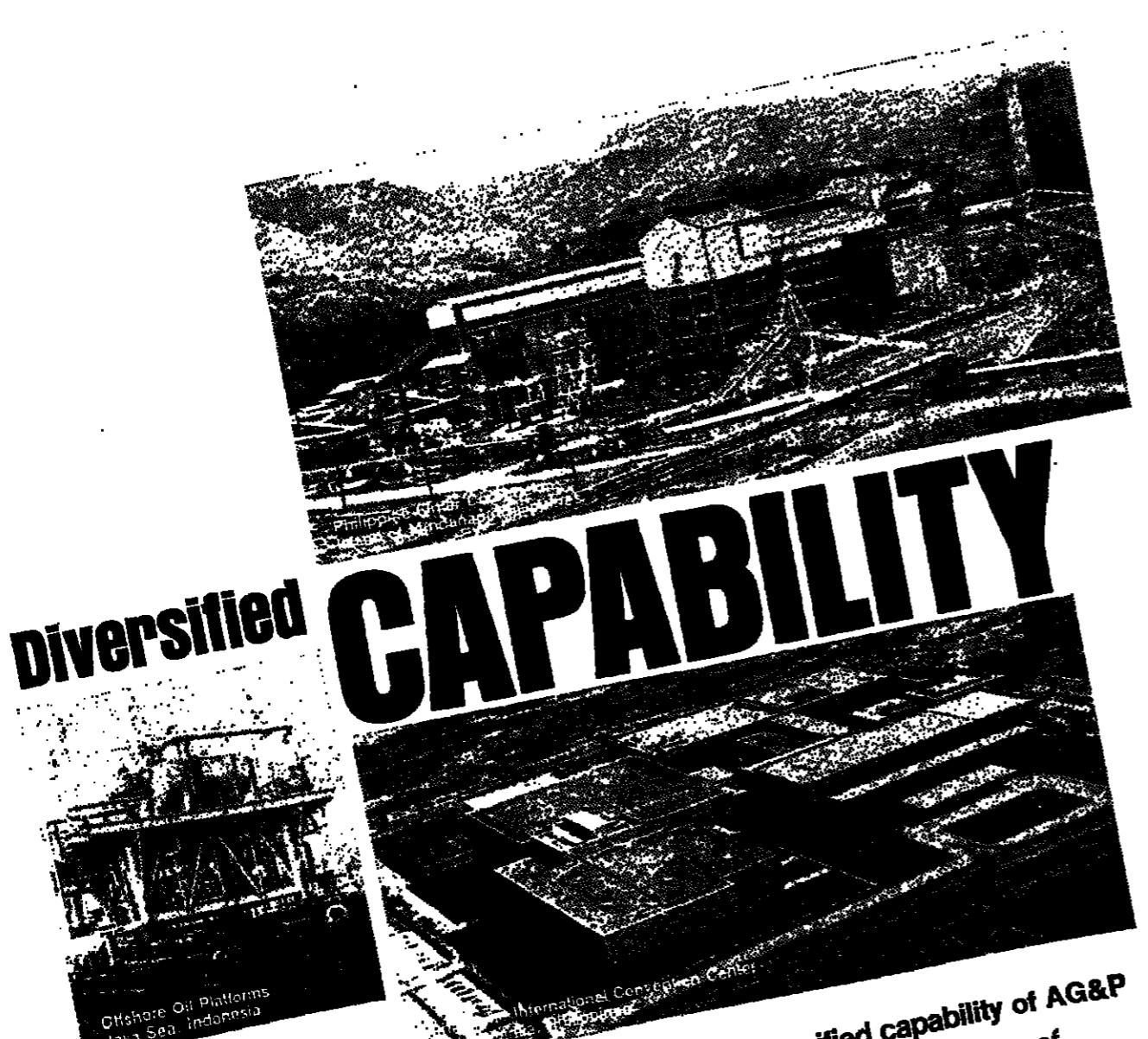
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Culture: 'Getting to Know a Filipino is Like Peeling an Onion'

By Alice C. Villaloid

MANILA (UPI)—The awards night of the all-Filipino film festival on Jan. 2 lived up to its advance glamour billing as the stars of the local box office dressed in their best silks and velvets, came to their places inside the grand ballroom of the Philippines Plaza Hotel. But as the awards committee announced the citations, faces turned sombre, movie directors shouted "foul," and the ribesome Hilda Cortes walked out of the hall, her fellow screen stars trailing behind.

The tempest was spawned by the citations. For in singling out nine winning films, the government-backed jurors publicly castigated other entries as "falling the test of common sense," and then, in the same harsh language, proceeded to criticize the winners. For days afterward, the best known Filipino movie directors publicly deplored the jurors' verbal assault on their work, questioning the standard of "authentic Philippine reality" as at best a controversial one. One director angrily returned his award and the festival committee then tried to salvage the situation by nullifying all the awards.

The furor over the recent film festival illustrates the deep divisions in the Philippine national psyche and the determined effort of local historians, artists and social scientists to heal these wounds and bring about cultural unity. Thoughtful Filipinos are trying for common forms—a Filipino film, native theater, a national language, Filipino dance and music—hoping these will crystallize a national consciousness.

Two Kinds

"There are at least two kinds of Filipinos: the modern and the 'authentic,'" said writer-historian Armen Guerrero Nekpol in a recent interview. "In the case of the film festival, the jurors are following very modern criteria, while the movie directors and their sympathizers were looking at the matter from a traditional point of view."

Francisco Sionil Jose, novelist



Manilians staging a mountain folk festival.

government initiative in sponsoring literary and artistic competitions and in building art centers and museums.

Mrs. Imelda Romualdez Marcos has supported the revival of ethnic forms and pioneered artistic displays. She built the two handsome theaters on the reclaimed fringe of Manila Bay and the National Art Center on a hilltop in Los Baños, south of Manila. Leading Filipino artists have staged their creations at these centers. Once or twice a year, Mrs. Marcos sponsors the performance of a world figure like Rudolf Nureyev or Van Cliburn in Manila.

The private cultural effort is equally dynamic. Big business families in Manila are setting up museums and contributing their private collections of antique Chinese and Indochinese porcelain, carvings and paintings. Some research grants in history, folkways and social mores are now available. Ethnic festivals like the Ati-atihan of Panay Island, a costumed parade and dance woven around the worship of the Christ child, have been held in Manila and other cities in an effort to popularize them. Town bands playing simple tunes, once the staple form of entertainment, had been losing their clientele to rock from the juke boxes. A deliberate effort to revive these bands is now underway.

Mats and Baskets

"We must look at what is here, what is common to the masses of our people, not with a view to freezing them in time but to fixing them in the national consciousness so they can develop into more modern cultural forms," said David Barrios, director of the Museum of Philippine Life, in an interview recently.

The continuing martial law could in itself be considered an indication of the lack of national unity. Some feel that President Marcos needs authoritarian control to continue with his programs because he has not persuaded a significant sector of the population that the programs will in fact better the lot of the majority.

Thus the government is as eager as the private citizens to understand the causes of these gaps and promote a common culture. While authoritarian control has had a dampening effect on creativity—some writers claiming they write but do not publish and others who publish sometimes conveying a quiet dissent in their works—on the whole, this dampener is compensated by the

Western way of life. Yet, there are many others who desire a return to precolumbian moorings and look to Asia and the Middle East for guidance.

Western Culture

Strong links with Western culture that developed over more than three centuries of Spanish rule followed by a half century of American tutelage have resulted in millions of English-speaking Christianized Filipinos who like Western values and the



Bayanihan folk dancers—Preserving the legends of the race.

recently overseeing the restoration of 18th and 19th-century churches and mansions with a view to preserving the past as well as reviving the skills of the Filipino artisans who built these landmarks under Spanish supervision.

In music and dance, local legends are being translated into modern compositions. The Ballet Federation of the Philippines, at its last annual presentations, featured dance sequences illustrating rural courtship and marriage practices. Opera companies have presented local romances alongside such classics as "La Gioconda" and "Madame Butterfly."

Drama groups, until recently obsessed with English productions attractive only to academic circles, are reaching out to the wider audiences that patronized the "varzulas" and the "mormors," native farcical plays. To take the stiffness out of playgoing, the new drama groups are

using informal auditoriums like neighborhood plazas or the old barracks at historic Fort Santiago. Late January, at the fort, the "Pete Kalawagan Ensemble" presented a translation of Bertolt Brecht's "Caucasian Chalk Circle" in Filipino, the national language. "It's an audience,"

Native Language

Whether these cultural strivings should mean the abandonment of English in favor of the native language is being debated here.

The enthusiastic acceptance of Filipino translations of theater classics and the well-known box office ratings of Filipino films are cited as proof of wider audience rapport when the native language is used.

In fact, English is no longer used for teaching most subjects in the lower elementary grades because of research findings that Filipino children grasp basic concepts better when these

are imparted in the native tongue. Science and mathematics are the exceptions since there are no suitable Filipino textbooks. As to abandoning English in higher grades or in professional and business circles, many influential Filipinos disagree. "Since we have long enjoyed a headstart in the knowledge of English over other peoples in the region, we would be inexcusably improvident to give up this advantage on sentimental grounds alone, ignoring all pragmatic considerations," argues writer-diplomat Salvador P. Lopez.

Many Filipinos resolve the dilemma by resorting to a halfway measure when among friends or at informal gatherings. They use what is known as "Taglish," a blend of native Tagalog and English. Thus, in describing the current preoccupation, one would say, "Talaga, culture vultures fayo ngayon," roughly translated, "Really, we are culture vultures these days."

The Department of Trade announces official Philippine participation for 1978 in 23 International Trade Fairs and Expositions

I. General Trade Fairs

A. Middle East

Tehran International Trade Fair
Tehran, Iran
September 19—October 1, 1978

Tripoli International Trade Fair
Tripoli, Libya
March 1-20, 1978

B. Socialist Countries

Leipzig International Trade Fair
Democratic Socialist Republic
Leipzig, East Germany
March 12-19, 1978

C. European Economic Community

Milan International Trade Fair
Milan, Italy
April 13-22, 1978

Brussels International Fair
Brussels, Belgium
April 29-May 15, 1978

Paris International Trade Fair
Paris, France
April 29-May 15, 1978

D. Asia

Osaka International Trade Fair
Osaka, Japan
April 19-30, 1978

The ASEAN Trade Fair '78
Metro Manila, Philippines

Africa

Nairobi Show

Nairobi, Kenya
September 27—October 1, 1978

Oceania

Asean Trade Display
Sydney, Australia
October 23-28, 1978

II. Specialized Trade Fairs

Middle East

Construction Furniture and
Decoration Fair
Tehran, Iran
June 15-18, 1978

European Economic Community

27th International
Nuremberg Toy Fair
Nuremberg, West Germany
February 9-15, 1978

International Gifts Fair

London, England
August 1978

Frankfurt Autumn

International Fair
Frankfurt, West Germany
August 27-30, 1978

Berlin Partners

for Progress
Berlin, West Germany
August 31-September 4, 1978

Igedo International
Fashion Trade Fair

Dusseldorf, W. Germany
September 14-15, 1978

Cologne Fair for
Children and Young
People—Cologne

West Germany
October 13-15, 1978

HOOT International
Trade Exhibition

Rotterdam, Netherlands
October 18-22, 1978

Salon Internationale
du Pret-a-Porter

Paris, France
October 21-25, 1978

Salon International de
l'Alimentation (SIAL)

Paris, France
November 13-18, 1978

Brussels International
Furniture Show

Brussels, Belgium
November 1978

C. EFTA

Jim-Er Salzburg Fair
Salzburg, Austria
September 1-3, 1978

D. ASIA

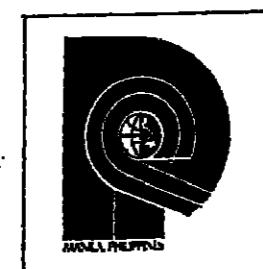
Sibex 1978
Singapore
March 15-18, 1978



There are many ways to reach us to do business. The Philippine Pavilions, The Philippine Houses, and the offices of the Commercial Attachés in Philippine embassies.

For further information, write to: Office of International Fairs and Expositions, Bureau of Foreign Trade, Department of Trade, 6th Floor Filcapital Bldg., Ayala Avenue, Makati, Metro-Manila, Philippines; Tel. Nos. 863-145; 863-526; 861-847; Telex - 5466 Sectrade; 3285 DTrade Cable Address - Sectrade Manila

Philippine International Convention Center



THE PLACE IS HERE AND THE TIME IS NOW FOR THE WORLD TO COME, THINK, TALK TOGETHER.

Before 1976, holding an international conference of 3,000 would have been difficult in Manila. But now, we have the Philippine International Convention Center, the heart of all the modern convention facilities that Metropolitan Manila offers to convention planners, regional or international.

The Philippine International Convention Center (PICC) was built in September 1974, a little more than two years ago to answer the many needs of an emerging metropolis. These needs were a consequence of the new role that the Philippines was shaping for itself among the emerging new countries of the Third World. The need to create the right business climate as a financial center. The need to cope with the increasing tourists. The desire to create a venue for creative art and culture. And the need to improve the lot of the urban poor in Metropolitan Manila.

This aspiration has found expression in many concrete terms. For the PICC is the most eloquent language of a people who desires to relate itself harmoniously with the rest of the humankind.

With a rich history that links the country with its Asian neighbors, the Philippines blends beautifully its Malay beginnings with the influences of the Spanish and the Americans. Hence, a people that presents the unique Asian qualities of warmth, hospitality and friendship.

TODAY, more than ever, the desire to relate and live with others has found its true expression. The Philippine International Convention Center articulates that expression to invite people from different parts of the world to come and get together.



An aerial view of the Philippine International Convention Center (PICC) located on a 12-hectare reclaimed land by the sea along Manila Bay.

No other convention center has been so designed to fulfill the needs of a conference, international or regional. And no other convention center exudes as much warmth and beauty to placate minds and soothe hearts.

Rising magnificently on a 12-hectare land reclaimed from the sea, the PICC is a spectacular structure no convention planner can afford to ignore.

Designed by Leandro V. Locsin, a leading Filipino architect, the PICC is a sculptural interplay of solid, steel-reinforced concrete masses, accented with bronze tinted glazings,

balanced and proportional on all sides. Its total floor area is 87,368 square meters.

Its massive look from a distance contrasts with the beauty and warmth of its interiors, which use to a great extent shades of orange and brown, complementing the lavish use of Philippine mahogany.

The PICC combines four modules—a three-story Plenary Hall which seats 5,000; a Reception Hall for elegant socials; a five-story Delegation Building and a three-story Secretariat Building.

It takes more than an hour to complete a

tour of the PICC. On entering the main entrance, facing the city of Manila, one sees the main lobby adorned with huge chandeliers made of around 3,000 bulbs suspended through an aluminum tube from the ceiling.

The Plenary Hall, with an area of 3,320 square meters, accommodates 4,832 conventioners. It has 1,456 flexible seats, 264 seats with tables and 3,103 tiered seats, a superimposing three-level arrangement designed for both comfort and elegance.

The Reception Hall, made up of two floors, is the single largest room of the Center. It

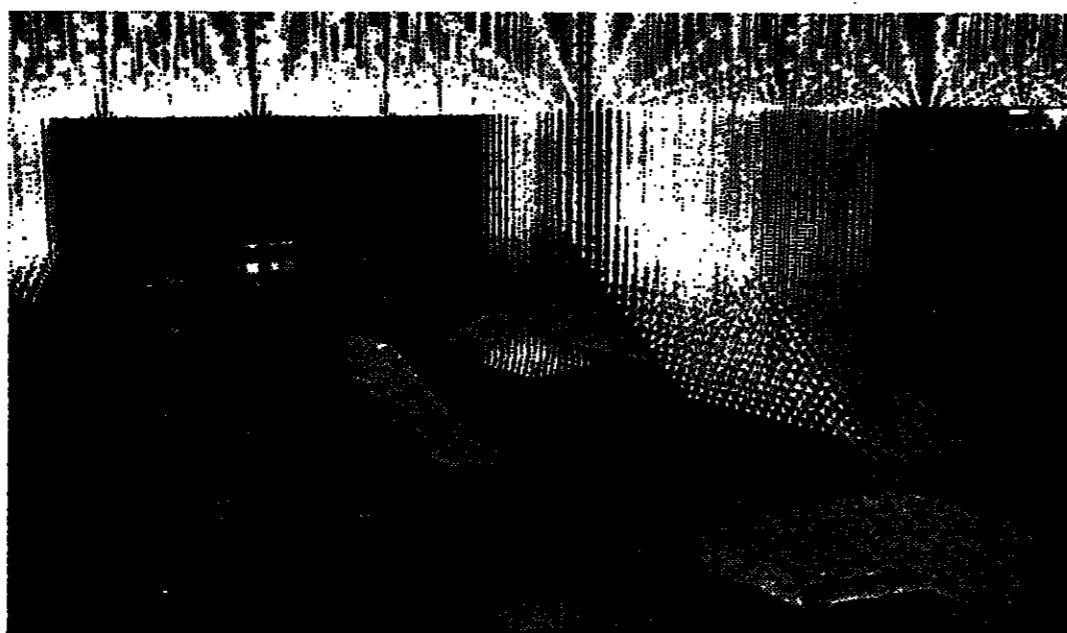
occupies 5,199 square meters, resplendent in red carpet and ablaze with the most breathtaking chandeliers that lend the atmosphere of romance and elegance for any social gathering of 4,000 to 5,000 guests—formal dinner or receptions. In the same building as the Plenary Hall is the *Exhibition Hall* and the *Audio-Visual Room*, an area devoted to an audio-visual presentation of the Philippines to visiting guests and conventioners. In less than a hour, one gets to see the beginnings of a country, its rich cultural past and the vast potentials of its resources, the land and its people singing their aspirations, all captured in 15 screens using 30 projectors and 12,000 slides. This moment of experience throbs with consciousness and admiration for a people that fought so well to earn what it now enjoys.

The *Delegation Building* consists of delegation offices, executive suite and service center like banking, postal, information and assistance center and a souvenir shop.

The *Secretariat Building* houses 17 secretariat offices with flexible partition convertible to an exhibition area, a cafeteria for 774 people, a banquet hall, a dining room and a delegates' lounge. There are also seven meeting rooms with capacities of between 150 to 500 people. There are other facilities to cope with all the requirements for any type of conference.

All conference areas are fully equipped with the most sophisticated devices for simultaneous language interpretations through fixed and wireless systems. Television facilities are done through satellite multimedia hookup telecasting facilities direct from the convention center to its audience. There are projectors and screens in every meeting room, sound broadcasting and recording.

The Philippine International Convention Center is strategically located to enable any conventioner to reach his hotel within five to fifteen minutes. It is ten minutes away from the airport, and ten to fifteen minutes to any shopping center. Along Roxas Boulevard where it is located are strings of restaurants and night spots that provide a unique experience for getting into the many unforgettable memories of having been in the Philippines.



Delegation Building with its impressive main lobby lighted by chandeliers of 3,000 light bulbs each hanging on aluminum cylindrical bars falling magnificently like rain.



Plenary Hall has three super-imposing levels that can accommodate around 5,000 delegates and observers. Above photo was taken during the IMF-World Bank Conference.



Reception Hall is the largest principal room of the PICC in area and capacity. Photo was taken during one of the receptions held for the IMF-World Bank delegates.



The Secretariat Building has several meeting rooms, designed to accommodate big or small conferences. Photo shows a typical meeting room good for 300 people.